

## Emerging Markets +



Product Disclosure Statement

# Important notices, legal information and disclaimer

## Product Disclosure Statement

This Product Disclosure Statement ("PDS") relates to the offer of Emerging Markets plus Warrants "EM+" by JPMorgan Investments Australia Limited (ABN 21 056 751 716) ("JPMIAL") Australian Financial Services Licence Number 298633, who is the issuer of this PDS (the "Offer"). JPMIAL is indirectly a wholly owned subsidiary of the JPMorgan Chase Bank, N.A. (ARBN 074 112 011) (AFSL 238367) ("JPMorgan Chase Bank").

The date of this PDS is 12 February 2008. It is intended that the Offer of EM+ through this PDS will remain open until the "Offer closes" on 11 April 2008, but JPMIAL reserves the right to close the Offer at an earlier time or extend the Offer for a longer period. If JPMIAL extends the Offer Period it will post a notice on its website at [www.jpmorgansp.com.au](http://www.jpmorgansp.com.au) advising applicants of the new "Offer closes" date and Issue Date (and any other consequential changes) for the Offer.

**An investment in EM+ is not a deposit with or other liability of JPMorgan Chase Bank, or any of its related bodies corporate (other than JPMIAL) and is subject to investment risk, including possible delays in repayment and loss of income or Principal invested. Neither JPMorgan Chase Bank nor any of its related bodies corporate guarantees the performance of EM+, nor do such entities guarantee the repayment of Principal from EM+ where EM+ are sold prior to the Expiry Date for any reason.**

JPMIAL has the benefit of an existing guarantee from J.P. Morgan Australia Limited (ABN 52 002 888 011) (AFSL 238188). J.P. Morgan Australia Limited has issued a guarantee over the Structured Product Programme of JPMIAL which includes the EM+ issued pursuant to this Offer.

Please make sure you read this PDS in full before deciding whether to invest.

**Updated information: Information relating to EM+ that is not materially adverse, may change from time to time. This information may be updated and made available at [www.jpmorgansp.com.au](http://www.jpmorgansp.com.au) or by contacting JPMorgan on 1800 157 620. A paper copy of any updated information is available free on request.**

The information in this PDS is general information only and does not take into account an Investor's individual objectives, financial situation or needs. Consequently, potential Investors should consider whether the information in this PDS is appropriate in light of their objectives, financial situation and needs, and seek professional advice from a financial adviser, accountant, lawyer or other professional adviser before deciding whether to invest.

EM+ are "securities" and "warrants" within the meaning of section 761A of the Corporations Act.

Australian Offer only: The offer to which this PDS relates is available only to persons receiving the PDS (electronically or otherwise) in Australia. The distribution of this PDS (including it being made accessible on any computer network) in jurisdictions outside Australia may be subject to legal restrictions. Any person who resides outside Australia and who receives or gains access to this PDS should comply with any such restrictions as failure to do so may constitute a violation of securities laws. EM+ are not available to US Investors.

Capitalised terms and expressions used in this PDS are defined in the Glossary section of this PDS.

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## Key Dates

<b>Offer opens</b>	25 February 2008
<b>Offer closes*</b>	11 April 2008
<b>Issue Date</b>	24 April 2008
<b>Expiry Date</b>	24 April 2013

\* Investors should note that these Key Dates are the intended dates as at the date of the PDS. However, JPMIAL reserves the right to shorten or extend the Offer without prior notice. If JPMIAL extends or shortens the Offer it will post a notice on its website, and the Key Dates, and any other dates in relation to the EM+, including the Final Valuation Date, Coupon Entitlement Dates and the Settlement Date may vary accordingly.

# 1. Emerging Markets Plus Warrants (“EM+”)

**JPMorgan EM+ offers Investors an innovative way to gain an emerging markets equity exposure that is easy to access, offers potential coupons of up to 8% per annum and 100% Principal protection on the Expiry Date.**

## **Leveraged Exposure to Emerging Market Equities with Principal Protection on the Expiry Date**

EM+ provides investors with a dynamic exposure to the iShares MSCI Emerging Markets Index Fund (“Equity Asset”) with leverage of up to 200%, a minimum exposure of 20% and Principal protection on the Expiry Date.

## **Independent Income Stream**

EM+ also provides investors with a dynamic exposure to a basket of the JPMorgan Yield Alpha 8 USD Index and the JPMorgan Efficiente USD Index (“Coupon Asset”). The dynamic exposure offers between 20% and 200% exposure to the Coupon Asset (being the two indices) and seeks to generate an annual coupon of up to 8% per annum in the first four years and uncapped in year five, provided that the Coupon Payment Condition is met. This income is generated by reference to an exposure independent from the Equity Asset.

## **EM+ is structured in the form of an Unlisted Warrant**

The EM+ is structured as an unlisted warrant over the iShares MSCI Emerging Markets Index Fund (“EEM US”). Investors will, on Issue Date, acquire an interest in an EEM US share (“the Underlying Parcel”) which on the Expiry Date may be sold or delivered as ASX listed iShares MSCI Emerging Markets Index Fund Chess Depository Instrument (“IEM AU”) and transferred to an Investor’s HIN. The return from the Underlying Parcel, Equity Dynamic Portfolio and Coupon Dynamic Portfolio together make up the return of EM+.

## **Geared EM+**

JPMIAL is also offering a geared Series of EM+ (“Geared EM+”) whereby Investors who apply for Geared EM+ will also enter into a limited-recourse loan with JPMIAL. JPMIAL will provide this loan of 100% of the value of the Issue Price of EM+. The Loan will be used to pay the Initial Loan Amount of \$70.85 (which is the Application Amount less the First Instalment plus the first year’s interest in advance), and additional drawdowns will occur on each Interest Payment Date for the Interest payable on that date.

## **Principal protected when held to the Expiry Date**

Investors’ Principal is 100% Principal protected when invested until the Expiry Date. Investors in the Geared EM+ must note that the amount they receive on Expiry of the Geared EM+ will be used to repay the Loan Amount, which includes the drawdowns for Interest payable during the term of the EM+. For Investors who hold Geared EM+ the entire proceeds due to the Investor on the Expiry Date may be used to repay the Loan Amount, and the Investor may not receive their First Instalment back at Expiry.

## **Regular valuations for EM+**

At the date of the PDS, JPMIAL intends to publish monthly valuations for EM+ and accept offers to sell EM+ back to JPMIAL on a monthly basis. As a result, JPMIAL will from time to time purchase securities including EM+ from Investors and Investors may offer to sell their EM+ to JPMIAL prior to the Expiry Date.

### An investment in Australian dollars

EM+ are denominated in Australian dollars. Investors are protected from direct currency risk on the Underlying Parcel, Equity Asset and Coupon Asset. However, these assets may be indirectly impacted by fluctuations in currency rates. Please refer to the Risk Factors set out in Section 10 for more detail.

### When would you consider investing in EM+?

The following information is general information only and does not take into account an Investor's individual objectives, financial situation or needs.

You might consider an investment in EM+ if:

- You are seeking a broad based emerging market equity exposure;
- You believe that emerging market equities represent an opportunity for potential outperformance compared to the rest of the market;
- You would like the opportunity to earn an enhanced income over the Term, from an independent asset;
- You like the security of 100% Principal protection (if held to the Expiry Date and subject to no event occurring which would result in an Early Expiry of EM+ – see section 10.2 Risk Factors);
- You are comfortable with an investment with a five year Term and monthly liquidity (through the ability to sell back your EM+ to JPMIAL);
- You qualify for the benefit of Article 10(2) of the double tax agreement between Australia and the United States as a resident of Australia (as defined in the double tax agreement) and you will be operating from Australia for the purposes of this investment.
- You understand and are comfortable with the risks (see section 10).

You would probably not consider an investment in EM+ if:

- You do not believe that emerging market equities, and the potential enhanced income from the Coupon Asset will outperform other investment opportunities;
- You need certainty of an income stream;
- Your investment horizon is less than 5 years; or
- You do not understand or are not comfortable with the risks associated with EM+ the Underlying Parcel, Equity Dynamic Portfolio or the Coupon Dynamic Portfolio (see section 10).

## Risks

An investment in EM+ involves a number of risks. Before investing in EM+, prospective Investors should consider carefully the general investment risks and the specific risks relating to the investment in EM+ set out in section 10 headed "Risk Factors". In particular, risks include (but are not limited to):

- The performance of EM+ depends upon the dynamic allocation strategy used on both the Equity Dynamic Portfolio and the Coupon Dynamic Portfolio. Increased volatility of the Equity Asset (in the case of the Equity Dynamic Portfolio) and the Coupon Asset (in the case of the Coupon Dynamic Portfolio) will generally have an adverse impact upon the performance of each of the Dynamic Portfolios and therefore EM+. These assets will be more volatile if there is an increase in the frequency and extent to which their value tends to rise and fall.
- Should the Equity Asset perform poorly or become particularly volatile, or should interest rates fall significantly there is a risk that EM+ will only return your Principal at the Expiry Date. JPMIAL has reduced this risk by assigning a minimum exposure of 20% to the Equity Asset. This means that regardless of the performance of the Equity Asset, the Equity Dynamic Portfolio will have a minimum exposure of 20% to the Equity Asset while still returning your Principal at the Expiry Date. A similar minimum exposure is also assigned to the Coupon Asset in the Coupon Dynamic Portfolio.
- Investors must be aware that should the Coupon Dynamic Portfolio perform poorly or otherwise not meet the Coupon Payment Condition no Coupon Amount will be paid.
- You should consider EM+ as a "buy and hold" investment for the five year Term. Principal protection is only available when EM+ is held until the Expiry Date and where there is no occurrence of an event which leads to an Early Expiry. If you sell your EM+ prior to Expiry or an event occurs which leads to the Early Expiry of EM+, your Principal will not be 100% protected (see section 10.2 Risk Factors). Investors in the Geared EM+ enter into a five year Loan with JPMIAL at a fixed rate of 8.25% per annum in advance each year. Should interest rates change the market value of the Loan will change and will impact upon the value of the Geared EM+ prior to the Expiry Date.
- JPMIAL is a participant in global markets and may from time to time purchase financial products on its own account including derivatives and securities. JPMIAL will from time to time purchase securities including EM+ from Investors. At the date of this PDS, JPMIAL intends to publish valuations and may accept offers to sell EM+ on a monthly basis.
- Investors have credit exposure to JPMIAL as issuer and J.P. Morgan Australia Limited as guarantor.
- Investors in Geared EM+ may lose the First Instalment paid for Geared EM+. The underlying investment in Geared EM+ is Principal protected, however, for each Interest payment (other than the first Interest payment) you are automatically taken to request a drawdown under the Loan Agreement to pay the Interest on the Loan. These additional drawdowns will increase the outstanding Loan Amount. To the extent the additional drawdowns made in respect of the Interest payments are more than the Coupon Amounts, the outstanding Loan Amount will increase and it is therefore possible that the Geared EM+ may have no value at Expiry.

- If you will no longer qualify for the benefit of Article 10(2) of the double tax agreement between Australia and the United States as a resident of Australia (as defined in the double tax agreement) or will no longer be operating from Australia for the purposes of this investment, you are required to notify JPMIAL at least 10 Business Days prior to this occurring. Upon notifying JPMIAL of such a change, you will be deemed to have requested an Early Sale of your entire holding of EM+. You should note that no Principal protection applies on an Early Sale of the EM+.

## 2. What are EM+?

**An EM+ is made up of four parts:**

- ❑ **the purchase of an interest in an iShares MSCI Emerging Markets Index Fund “EEM US” share (“the Underlying Parcel”);**
- ❑ **a swap:**
  - ❑ **which gives exposure to the Coupon Dynamic Portfolio to provide a potential coupon of up to 8% of the Issue Price, in years 1 to 4 and uncapped in year 5; and**
  - ❑ **under which either you or JPMIAL will make a final payment (the “Swap Settlement Amount”). The Swap Settlement Amount means that on the Expiry Date of EM+ you will receive the Expiry Amount.**
- ❑ **a put option which can be exercised to sell the Underlying Parcel at the Expiry Date for the Market Value of the Underlying Parcel at the Expiry Date; and**
- ❑ **a call option granted to JPMIAL, which permits JPMIAL to purchase the Underlying Parcel from you at the Expiry Date for the Market Value of the Underlying Parcel at the Expiry Date.**

For Investors in Geared EM+, in addition to the four parts above, Investors will enter into a limited-recourse Loan for \$100.00 at a fixed rate of 8.25% per annum payable in advance each year of the Term. The initial drawdown on the loan will be the Initial Loan Amount of \$70.85. The first interest payment will be paid as part of the First Instalment. For the remaining Interest payments you will automatically be taken to request a further drawdown under the Loan Agreement to pay the Interest on the Loan. These additional drawdowns will increase the outstanding Loan Amount, and any Coupon Amounts paid will be used to reduce the outstanding Loan Amount. To the extent the additional drawdowns made to pay the Interest payments are more than the Coupon Amounts, the outstanding Loan Amount will increase and therefore it is possible that the Geared EM+ may have no value at Expiry.

### 2.1 Purchase of the Underlying Parcel

When you purchase EM+, the Application Amount (including the Initial Loan Amount if you apply for a Geared EM+) will be used to purchase an interest in an EEM US share on your behalf (“Underlying Parcel”). The Underlying Parcel will initially be held by a Security Trustee on trust for Investors in EM+. The Security Trustee may lend or dispose and repurchase your Underlying Parcel to or from JPMIAL or a related body corporate or affiliate of JPMIAL during the term of the EM+.

### 2.2. The Swap and Coupon

Investors in EM+ will swap their right to receive dividends on the Underlying Parcel (or an amount equal to them) for the right to receive a Coupon Amount from JPMIAL. The result is that instead of being paid dividends on the Underlying Parcel, Investors will receive a Coupon Amount which is based on the performance of the Coupon Asset and the Coupon Dynamic Portfolio. For more information on how the Coupon Dynamic Portfolio is managed, please refer to page 27.

On the Expiry Date, JPMIAL will calculate the Swap Settlement Amount based on the difference between the Market Value of the Underlying Parcel, and the Expiry Amount (the “Swap Differential”). The Expiry Amount is calculated by reference to the higher of the Equity Dynamic

Portfolio Value on the Expiry Date and the Principal protected amount. If the Market Value is less than the Expiry Amount, then JPMIAL will pay the Investor the Swap Differential. If the Market Value is higher than the Expiry Amount, then the Investor will pay JPMIAL the Swap Differential. This ensures that the Investor will receive at least the Principal protected amount on Expiry of the EM+. The Coupon Amount (if any) from the final year will be added to the Swap Differential (if it is an amount JPMIAL will pay) or deducted (if it is an amount the Investor must pay) to determine the Swap Settlement Amount.

For more information about the Equity Dynamic Portfolio, and how the Equity Dynamic Portfolio Value is determined, please refer to page 23.

### **2.3. Put Option and Call Option**

Under the terms of the EM+, JPMIAL will grant a Put Option to Investors, and Investors will grant a Call Option to JPMIAL.

The Put Option allows Investors to sell EEM US shares held by the Security Trustee on the Investor's behalf to JPMIAL for the Market Value on the Expiry Date.

The Investor can exercise the Put Option on the Expiry Date by completing and lodging a valid EM+ Maturity Notice with JPMIAL 20 business days prior to the Expiry Date. For more information please refer to "What happens on Expiry of the EM+ if an Option is exercised?" on page 8.

The Call Option is granted by the Investor, and allows JPMIAL to buy the Underlying Parcel held by the Security Trustee on an Investors' behalf for the Market Value on the Expiry Date.

If either the Put Option or the Call Option are exercised then the Investor directs the Security Trustee to deliver the Underlying Parcel to JPMIAL to settle the Option, and the Investor will not have the legal title in the Underlying Parcel transferred to them. Instead, the Investor will receive a cash payment under the Option equal to the Market Value of the Underlying Parcel.

### **2.4. What payments do Investors receive under the EM+?**

Under the terms of the EM+, Investors may receive a Coupon Amount each year during the Term of the EM+ of up to 8% per annum (uncapped in year five) provided the Coupon Payment Condition is met. If the Call Option or Put Option is exercised on the Expiry Date, Investors will receive the Market Value of the Underlying Parcel and a Swap Settlement Amount if the Market Value on the Expiry Date is less than the Expiry Amount. However, Investors should note that if the Market Value on the Expiry Date is more than the Expiry Amount then the Investor may have to pay a Swap Settlement Amount, depending on the final Coupon Amount. This amount will be satisfied by the Investor directing the Security Trustee to deliver a portion of the Underlying Parcel to JPMIAL.

### **2.5. When will Investors receive a Coupon Amount?**

A Coupon Amount will be payable annually on each Coupon Payment Date provided that the Coupon Payment Condition is met on each Coupon Entitlement Date. The Coupon Payment Condition requires that the Target Coupon Asset Exposure must be greater than or equal to 50% on the next Rebalancing Date (for the first three years). There is no Coupon Payment Condition in the final two years.

The Coupon Amount for the first four years will be paid as a percentage of the Issue Price of the EM+ calculated as the Coupon Dynamic Portfolio Value minus 97% of the Notional Coupon Dynamic Portfolio Value, and provided that the Coupon Amount cannot be negative, and cannot be more than 8%. This is represented by the following formula:

$$\text{Max} \left[ 0\%, \text{Min} \left( 8\%, \frac{\text{Coupon Dynamic Portfolio Value}}{\text{Notional Coupon Dynamic Portfolio Value}} - 97\% \times \text{Notional Coupon Dynamic Portfolio Value} \right) \right]$$

The Coupon Amount in the final year will be paid as a percentage of the Issue Price of the EM+ calculated as Coupon Dynamic Portfolio Value minus Notional Coupon Dynamic Portfolio Value, provided that the Coupon Amount cannot be negative. There is no upper limit on the Coupon Amount in the final year. This is represented by the following formula:

$$\text{Max} \left( 0\%, \frac{\text{Coupon Dynamic Portfolio Value}}{\text{Notional Coupon Dynamic Portfolio Value}} - \text{Notional Coupon Dynamic Portfolio Value} \right)$$

For examples showing how the Coupon Amount is calculated, please refer to page 34.

## 2.6. What happens on Expiry of EM+ if an Option is exercised?

If either the Put Option or Call Option is exercised on the Expiry Date, Investors will sell the Underlying Parcel to JPMIAL, and Investors will receive a cash payment equal to the Market Value of the Underlying Parcel. The Swap Settlement Amount will either be deducted (if it is an amount you owe) or added (if it is an amount JPMIAL owes) to this amount.

## 2.7. What happens on Expiry of Geared EM+ if an Option is exercised?

If you are an Investor in Geared EM+, and either the Put Option or Call Option is exercised on the Expiry Date, you will sell the Underlying Parcel to JPMIAL, and you will receive a cash payment equal to the Market Value. The Swap Settlement Amount will either be deducted (if it is an amount you owe) or added (if it is an amount JPMIAL owes) to this amount. This cash payment will then be used to repay the Loan Amount and you will receive the remaining balance (if any).

## 2.8. What happens on Expiry if an option is not exercised?

At Expiry, provided the Call Option is not exercised, Investors who do not exercise the Put Option will retain the Underlying Parcel (provided the Loan Amount is paid for Geared EM+ as set out below). If you owe JPMIAL a Swap Settlement Amount then, unless you advise JPMIAL otherwise, you direct the Security Trustee to deliver a portion of the Underlying Parcel in satisfaction of your obligation to pay this amount. If JPMIAL owes you a Swap Settlement Amount then you will receive this amount in cash.

If you hold a Geared EM+, then on Expiry you can pay out the Loan Amount and the Underlying Parcel will be delivered to you. You must repay the Loan Amount at least 20 Business Days prior to the Expiry Date. The Security Trustee will deliver a portion of the Underlying Parcel to JPMIAL on your behalf to settle the Swap Settlement Amount (if it is an amount you owe), and the remaining Underlying Parcel will be delivered to you. If JPMIAL owes a Swap Settlement Amount it will pay this amount in cash on the Settlement Date.

If you hold a Geared EM+ and you do not pay out the Loan Amount, then the Swap Settlement Amount will be added to the Loan Amount (if it is an amount you owe) or deducted from the Loan Amount (if it is an amount JPMIAL owes) and the Security Trustee will deliver a portion (or all if necessary) of the Underlying Parcel to JPMIAL to satisfy the total of the Loan Amount and the Swap Settlement Amount.

Unless you request JPMIAL in a valid EM+ Maturity Notice not to exercise the Call Option on the Expiry Date, you should note that JPMIAL will always have the right to exercise the Call Option on the Expiry Date. If this happens, the Underlying Parcel will be delivered to JPMIAL to settle the Call Option on your behalf.

### **2.9. Can the EM+ expire early and what will I receive on Early Expiry?**

Yes. If there is an Extraordinary Event the EM+ will expire early, and you will receive the Early Expiry Value. An Extraordinary Event is an event set out in clause 10 of the Trust Deed, and can include a Market Disruption Event or an Adjustment Event. If an Early Expiry Date occurs, JPMIAL will calculate the Early Expiry Value by reference to the fair market value of the property of the Separate Trust and of the Swap, the Put Option and the Call Option (as determined by JPMIAL) on the Early Expiry Date, in each case less any applicable costs, Taxes and Break Costs. You should read clause 10 of the Trust Deed and clause 6 of the Swap Agreement carefully to understand when an Early Expiry Date can occur and how the Early Expiry Value will be calculated. You should note that Principal protection will not apply to the EM+ on an Early Expiry Date.

### **2.10. Can I transfer my EM+?**

Yes. You can transfer your EM+ with the consent of JPMIAL provided that you meet the requirements set out in clause 7 of the Trust Deed.

### 3. Term Sheet

This overview provides some of the key information you can find in this PDS, but is not a complete summary. You should read the whole PDS and seek any advice you need before deciding to invest.

Summary of Terms and Conditions	
<b>Product Description</b>	<p>Emerging Markets Plus Warrants (“EM+”) are unlisted warrants over the shares of iShares MSCI Emerging Markets Index Fund (EEM US), a company listed on the New York Stock Exchange (the “Relevant Exchange”) with Chess Depository Instruments listed on the Australian Securities Exchange (IEM AU).</p> <p>For each EM+ purchased by an Investor, the Investor will obtain an interest in the fraction of an EEM US share equal to the Warrant Multiplier (the “Underlying Parcel”) and a Put Option exercisable on the Expiry Date which allows the investor to sell the Underlying Parcel to JPMIAL at the the Market Value of the Underlying Parcel on the Expiry Date. In addition, investors will grant JPMIAL a Call Option exercisable on the Expiry Date which allows JPMIAL to buy the Underlying Parcel from the Investor at the Market Value of the Underlying Parcel on the Expiry Date.</p> <p>Investors will also enter into a Swap with JPMIAL to receive the following:</p> <ul style="list-style-type: none"> <li>□ A final payment (the Swap Settlement Amount) will be paid by either the Investor or JPMIAL based on the the performance of a dynamic exposure to EEM US (“Equity Asset”) calculated in accordance with the Equity Dynamic Portfolio Rules less the Market Value of the Underlying Parcel;</li> <li>□ Under the Swap investors will not receive the dividends from EEM US but will receive the performance of a dynamic exposure to an equally weighted (at Issue Date) basket of the JPMorgan Yield Alpha 8 USD Index and the JPMorgan Efficiente USD Index (“Coupon Asset”) calculated in accordance with the Coupon Dynamic Portfolio Rules.</li> </ul> <p>If the Investor does not exercise the Put Option, and JPMIAL does not exercise the Call Option, at Expiry then the Investor will receive the Underlying Parcel (provided the Loan Amount has been repaid for a Geared EM+). If you hold a Geared EM+ and do not pay out the Loan Amount, a portion of the Underlying Parcel will be delivered to JPMIAL to satisfy your obligation to repay the Loan.</p> <p>If an Investor applies for a Geared EM+ JPMIAL will also enter into a Loan with the Investor for a portion of the Issue Price of the EM+ on the terms set out in the Loan Agreement.</p>
<b>Issuer</b>	JPMorgan Investments Australia Limited
<b>Guarantor and Rating</b>	J.P. Morgan Australia Limited

Summary of Terms and Conditions	
<b>Denomination/Issue Price</b>	AUD 100 per EM+
<b>Warrant Multiplier</b>	$\frac{100}{\text{EEM US Price on Issue Date}} \times \text{AUD/USD Rate}$
<b>Underlying Parcel</b>	On the Issue Date, the fraction of an EEM US share represented by the Warrant Multiplier
<b>Minimum Investment</b>	100 EM+ thereafter in multiples of 10 300 Geared EM+ thereafter in multiples of 30
<b>Closing Date</b>	11 April 2008
<b>Issue Date</b>	24 April 2008
<b>Final Valuation date</b>	24 April 2013
<b>Expiry Date</b>	24 April 2013
<b>Coupon Entitlement Dates</b>	24 April 2009, 27 April 2010, 26 April 2011, 24 April 2012, 24 April 2013
<b>Adviser Fee</b>	Up to 3.3% including GST
<b>Distributor Fee</b>	Up to 1.1% including GST payable by JPMIAL and not paid by Investors
<b>Business Day Convention</b>	Modified Following
<b>Listing</b>	Unlisted
<b>Form</b>	Warrants
<b>Registry</b>	Registries Limited
<b>Early Sale</b>	The investor may offer to sell their EM+ and Geared EM+ to JPMIAL prior to Expiry Date, on a monthly basis, and the acceptance of the offer will be in the sole discretion of JPMIAL, and on such terms and conditions as JPMIAL deems reasonable. EM+ should be considered as a "Hold Until Expiry" product.
<b>Governing Law</b>	New South Wales

Equity Dynamic Portfolio	
<b>Notional Equity Dynamic Portfolio Value</b>	100% of Issue Price
<b>Equity Dynamic Portfolio</b>	<p>During the Term, the Equity Dynamic Portfolio comprises:</p> <ul style="list-style-type: none"> <li>□ a notional investment in the Equity Asset; and</li> <li>□ a notional investment in a Cash Asset</li> </ul>
<b>Equity Asset</b>	iShares MSCI Emerging Markets Index Fund (EEM US)
<b>Value of Equity Asset</b>	The value of the Equity Asset at the Valuation Time on each Valuation Date as determined by JPMIAL.
<b>Valuation Date</b>	Every Business Day during the Term
<b>Valuation Time</b>	8.00pm London time
<b>Cash Asset</b>	A notional investment in cash which earns interest at the then prevailing wholesale market rates based on the Australian dollar swap rates.
<b>Value of Cash Asset</b>	The Cash Asset at the Valuation Time on any Valuation Date represents the present value of a synthetic zero coupon bond that would mature at the Valuation Time on the Expiry Date at the Notional Equity Dynamic Portfolio Value.
<b>Equity Dynamic Portfolio Rules</b>	<p>The Equity Dynamic Portfolio Rules work on the basis of two concepts, an Investment Floor which represents the current cost to buy a Cash Asset which would pay out an amount equal to the Notional Equity Dynamic Portfolio Value on the Expiry Date ("Investment Floor"), and a Cushion which represents the difference between the Equity Dynamic Portfolio Value and the Investment Floor ("Cushion").</p> <p>The Equity Dynamic Portfolio Rules require that the notional investment in the Equity Asset is maintained at a level which is equal to a constant multiple or proportion of the Cushion. The constant proportion has been determined by reference to the price volatility of the relevant asset and represents the size of a rapid fall in the value of the asset required for the Equity Dynamic Portfolio Value to fall to the Investment Floor (called the "Crash Size").</p> <p>The allocation between the Equity Asset and the Cash Asset within the Equity Dynamic Portfolio is determined on each Rebalancing Date and if required, rebalanced in accordance with the Equity Dynamic Portfolio Rules.</p>
<b>Initial Equity Dynamic Portfolio Value</b>	97%

<b>Equity Dynamic Portfolio Value</b>	The value of the notional investment in the Equity Dynamic Portfolio as determined by reference to the Value of the Equity Asset, plus the Value of the Cash Asset, minus the amount of any leverage, minus the Annual Equity Asset Fee and Borrowing Costs which are deducted from the Equity Dynamic Portfolio on each Valuation Date.
<b>Final Equity Dynamic Portfolio Value</b>	The Equity Dynamic Portfolio Value as at the Valuation Time on the Expiry Date.
<b>Rebalancing Dates</b>	Every Valuation Date except the Expiry Date
<b>Rebalancing</b>	On each Business Day during the term of the EM+, JPMIAL will compare the Target Equity Asset Exposure to the current proportions of the Equity Asset and the Cash Asset currently in the Equity Dynamic Portfolio. If the Target Equity Asset Exposure is 15% (or more) above, or 15% (or more) below (“Over/Under Investment Triggers”), the actual exposure, then JPMIAL will notionally sell the assets against which the Equity Dynamic Portfolio is over-exposed and notionally purchase the assets against which the Equity Dynamic Portfolio is under-exposed until the composition of the Equity Dynamic Portfolio is as near as practical to the Target Equity Asset Exposure.
<b>Final Potential Rebalancing Date</b>	One Business Day before the Expiry Date
<b>Crash Size</b>	25%
<b>Maximum Equity Asset Exposure</b>	200%
<b>Minimum Equity Asset Exposure</b>	20%. If the Equity Asset Exposure is 20%, then the allocation to the Cash Asset will be determined as follows:  $1 - \frac{\text{Cushion}}{25\%}$
<b>Under/Over Investment Trigger</b>	+/- 15%
<b>Equity Asset Initial Target Exposure</b>	Approximately 100% as at the date of the PDS
<b>Cushion</b>	$\frac{\text{Equity Dynamic Portfolio Value} - \text{Investment Floor}}{\text{Equity Dynamic Portfolio Value}}$
<b>Investment Floor</b>	The present value of a synthetic zero coupon bond that would mature at the Valuation Time on the Expiry Date at the Notional Equity Dynamic Portfolio Value.
<b>Target Equity Asset Exposure</b>	$\text{Max} \left( 20\%, \frac{\text{Cushion}}{\text{Crash Size}} \right)$

<b>Annual Equity Asset Fee</b>	$\text{Max} \left( \frac{\text{Notional Investment in the Equity Asset,}}{\text{Equity Dynamic Portfolio Value}} \right) \times 1.8\% \text{ per annum}$ <p>The Annual Equity Asset Fee will be calculated daily and notionally deducted from the Equity Dynamic Portfolio Value.</p>
<b>Borrowing Costs</b>	Borrowing Costs accrue and are determined daily on the basis of wholesale market interest rates based on at or around 8.00pm London time on each Valuation Date.
<b>Expiry Amount</b>	$\text{Max} \left( 100\%, \frac{\text{Final Equity Dynamic Portfolio Value}}{\text{Notional Equity Dynamic Portfolio Value}} \right) \times \text{Issue Price}$

<b>Coupon Dynamic Portfolio</b>	
<b>Notional Coupon Dynamic Portfolio Value</b>	100% of Issue Price
<b>Coupon Dynamic Portfolio</b>	<p>During the Term, the Coupon Dynamic Portfolio comprises:</p> <ul style="list-style-type: none"> <li>□ a notional investment in the Coupon Asset; and</li> <li>□ a notional investment in a Cash Asset</li> </ul>
<b>Coupon Asset</b>	Equally weighted basket at Issue Date comprising the JPMorgan Yield Alpha 8 USD Index (Bloomberg YAJPMUS8 Index) and the JPMorgan Efficiente USD Index (Bloomberg EFJPUS8E Index).
<b>Value of Coupon Asset</b>	The value of the Coupon Asset at the Valuation Time on each Valuation Date as determined by JPMIAL.
<b>Valuation Date</b>	Every Business Day during the Term
<b>Valuation Time</b>	8.00pm London time
<b>Cash Asset</b>	A notional investment in cash which earns interest at the then prevailing wholesale market rates based on the Australian dollar swap rates.
<b>Value of Cash Asset</b>	The Cash Asset at the Valuation Time on any Valuation Date represents the present value of a synthetic zero coupon bond that would mature at the Valuation Time on the Expiry Date at the Notional Coupon Dynamic Portfolio Value.

<b>Coupon Dynamic Portfolio Rules</b>	<p>The Coupon Dynamic Portfolio Rules work on the basis of two concepts, an Investment Floor which represents the current cost to buy a Cash Asset which would pay out an amount equal to the Notional Coupon Dynamic Portfolio Value on the Expiry Date (“Investment Floor”), and a Cushion which represents the difference between the Coupon Dynamic Portfolio Value and the Investment Floor (“Cushion”).</p> <p>The Coupon Dynamic Portfolio Rules require that the notional investment in the Coupon Asset is maintained at a level which is equal to a constant multiple or proportion of the Cushion. The constant proportion has been determined by reference to the price volatility of the relevant asset and represents the size of a rapid fall in the value of the asset required for the Coupon Dynamic Portfolio Value to fall to the Investment Floor (called the “Crash Size”).</p> <p>The allocation between the Coupon Asset and the Cash Asset within the Coupon Dynamic Portfolio is determined on each Rebalancing Date and if required, rebalanced in accordance with the Coupon Dynamic Portfolio Rules.</p>
<b>Initial Coupon Dynamic Portfolio Value</b>	97%
<b>Coupon Dynamic Portfolio Value</b>	The value of the notional investment in the Coupon Dynamic Portfolio as determined by reference to the Value of the Coupon Asset, plus the Value of the Cash Asset, minus the Annual Coupon Asset Fee which is deducted from the Coupon Dynamic Portfolio on each Valuation Date.
<b>Rebalancing Dates</b>	Every Valuation Date except the Expiry Date
<b>Rebalancing</b>	On each Business Day during the term of the EM+, JPMIAL will compare the Target Coupon Asset Exposure to the current proportions of the Coupon Asset and the Cash Asset currently in the Coupon Dynamic Portfolio. If the Target Coupon Asset Exposure is 15% (or more) above, or 15% (or more) below (“Over/Under Investment Triggers”), the actual exposure, then JPMIAL will notionally sell the assets against which the Coupon Dynamic Portfolio is over-exposed and notionally purchase the assets against which the Coupon Dynamic Portfolio is under-exposed until the composition of the Coupon Dynamic Portfolio is as near as practical to the Target Coupon Asset Exposure.
<b>Final Potential Rebalancing Dates</b>	One Business Day before the Expiry Date.
<b>Crash Size</b>	17.5%

<b>Maximum Coupon Asset Exposure</b>	200%
<b>Minimum Coupon Asset Exposure</b>	20%. If the Coupon Asset Exposure is 20%, then the allocation to the Cash Asset will be determined as follows:  $1 - \frac{\text{Cushion}}{17.5\%}$
<b>Under/Over Investment Trigger</b>	+/- 15%
<b>Initial Coupon Asset Exposure</b>	Approximately 150% as at the date of the PDS
<b>Cushion</b>	$\frac{\text{Coupon Dynamic Portfolio Value} - \text{Investment Floor}}{\text{Coupon Dynamic Portfolio Value}}$
<b>Investment Floor</b>	The present value of a synthetic zero coupon bond that would mature at the Valuation Time on the Expiry Date before the Expiry Date at the Notional Coupon Dynamic Portfolio.
<b>Target Coupon Asset Exposure</b>	$\text{Max} \left( 20\%, \frac{\text{Cushion}}{\text{Crash Size}} \right)$
<b>Coupon Amounts</b>	Coupon Amounts are deducted from the Coupon Dynamic Portfolio and are calculated as follows:
Year 1	$\text{Max} \left[ 0\%, \text{Min} \left( 8\%, \frac{\text{Coupon Dynamic Portfolio Value}_{\text{Year1}}}{\text{Notional Coupon Dynamic Portfolio Value}} - 97\% \times \text{Notional Coupon Dynamic Portfolio Value} \right) \right]$ provided Target Coupon Asset Exposure >= 50% on the next Rebalancing Date.
Year 2	$\text{Max} \left[ 0\%, \text{Min} \left( 8\%, \frac{\text{Coupon Dynamic Portfolio Value}_{\text{Year2}}}{\text{Notional Coupon Dynamic Portfolio Value}} - 97\% \times \text{Notional Coupon Dynamic Portfolio Value} \right) \right]$ provided Target Coupon Asset Exposure >= 50% on the next Rebalancing Date.
Year 3	$\text{Max} \left[ 0\%, \text{Min} \left( 8\%, \frac{\text{Coupon Dynamic Portfolio Value}_{\text{Year3}}}{\text{Notional Coupon Dynamic Portfolio Value}} - 97\% \times \text{Notional Coupon Dynamic Portfolio Value} \right) \right]$ provided Target Coupon Asset Exposure >= 50% on the next Rebalancing Date.
Year 4	$\text{Max} \left[ 0\%, \text{Min} \left( 8\%, \frac{\text{Coupon Dynamic Portfolio Value}_{\text{Year4}}}{\text{Notional Coupon Dynamic Portfolio Value}} - 97\% \times \text{Notional Coupon Dynamic Portfolio Value} \right) \right]$
Year 5	$\text{Max} \left( 0\%, \frac{\text{Coupon Dynamic Portfolio Value}_{\text{Final}}}{\text{Notional Coupon Dynamic Portfolio Value}} - \text{Notional Coupon Dynamic Portfolio Value} \right)$

<b>Coupon Payment Dates</b>	20 Business Days after each Coupon Entitlement Date, other than the Coupon Amount (if any) for year 5, which will be payable on the Settlement Date.
<b>Coupon Payment Condition</b>	For years 1 to 3, that the Target Coupon Asset Exposure is greater than or equal to 50% on the next Rebalancing Date.
<b>Annual Coupon Asset Fee</b>	$\text{Max} \left( \frac{\text{Notional Investment in the Coupon Asset,}}{\text{Coupon Dynamic Portfolio Value}} \right) \times 1.4\% \text{ per annum}$ <p>The Annual Coupon Asset Fee will be calculated daily and notionally deducted from the Coupon Dyanmic Portfolio Value.</p>

<b>Additional Terms for Geared EM+</b>	
<b>Loan Amount</b>	100% of Issue Price
<b>Initial Loan Amount</b>	The initial loan amount is the first drawdown under the Loan and will be used together with the First Instalment to pay the Application Amount for the Geared EM+. The Initial Loan Amount will be 70.85% of the Issue Price.
<b>First Instalment</b>	AUD 35.00 representing AUD5.85 Interest in advance and AUD 29.15 capital contribution.
<b>Interest</b>	Interest is payable at the Interest Rate annually in advance on each Interest Payment Date. The Interest Payment for the first year of the Geared EM+ will be paid in the Geared EM+ First Instalment. Interest is calculated as: Interest Rate x Outstanding Loan Amount
<b>Annual in Advance Interest Rate</b>	8.25% per annum fixed for 5 years
<b>Interest Payment Dates</b>	24 April 2008, 24 April 2009, 27 April 2010, 26 April 2011, 24 April 2012
<b>Repayments</b>	For Interest payments for years 2 to 5, you will automatically be taken to request a drawdown under the Loan Agreement to pay the Interest on the Loan. These additional drawdowns will increase the outstanding the Loan Amount. Any Coupon Amounts paid will be used to reduce the Loan Amount. To the extent the additional drawdowns made in respect of the Interest payments are more than the Coupon Amounts, the outstanding Loan Amount will increase.

## 4. Underlying Assets in the EM+

### 4.1 iShares MSCI Emerging Markets Index Fund

The iShares MSCI Emerging Markets Index Fund (“EEM US”) is an exchange traded fund which is listed and trades on the American Stock Exchange, Chicago Board Options Exchange, the NASDAQ Stock Market LLC and NYSE Arca, Inc. EEM US 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 represented by the MSCI Emerging Markets Index.

EEM US is also quoted on the Australian Securities Exchange and trades on the Exchange are settled using CHESS Depositary Interests (or “CDIs”).

iShares is a registered mark of Barclays Global Investors, N.A. (“BGI”). The EM+ is not sponsored, endorsed, sold, or promoted by BGI. BGI makes representations or warranties to the owners of the EM+ or any member of the public regarding the advisability of investing in the EM+. BGI has no obligation or liability in connection with the operation, marketing, trading or sale of the EM+.

For more information about iShares MSCI Emerging Markets Index Fund please see [www.ishares.com](http://www.ishares.com) and [www.ishares.com.au](http://www.ishares.com.au)

### 4.2. JPMorgan Yield Alpha 8 USD Index (Bloomberg Code YAJPMUS8)

The JPMorgan Yield Alpha 8 USD Index (“Yield Alpha 8”) is a multi-asset trading strategy that aims to return 8% per annum with a volatility of less than 8%. The strategy is designed to take advantage of “carry opportunities” across different asset classes, targeting high returns with the benefits of diversification and uses the “Carry-to-Risk” framework to select trades with the highest risk adjusted potential returns.

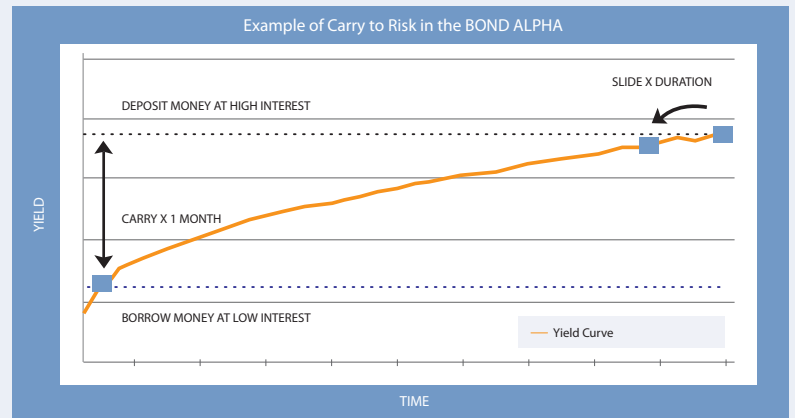
“Carry” trades represent the opportunity for investors to make returns in unchanging market conditions, exploiting risk premia and consistent market anomalies. In a “fair” market, any carry returns would be exactly offset by a corresponding capital loss from the trading position, resulting in a net zero return for the investor. However, it has been observed historically that this capital loss does not tend to happen for many carry trades, and hence investors willing to take the risk of these market positions would have generated attractive returns. Opportunities for carry trades exist across many different asset classes, including fixed income, foreign exchange and equities. When looking for which carry trade to put on within a particular asset class, it is important to consider the risk of the market position as well as the carry returns available. JPMorgan Research has developed the “Carry-to-Risk” ratio as a quantitative measure of selecting carry trades based on risk-adjusted returns, measuring the amount of carry available per unit of risk. A trade with a high carry-to-risk ratio would therefore represent a good candidate for inclusion in any carry strategy.

An example of Carry to Risk in the Bond Alpha would be as follows:

**Bond Alpha**

- ❑ Simple yield curve carry strategy: borrow money at low short term rates and invest in longer term bonds
- ❑ Interest rate risk: investor has exposure to movements in interest rates
- ❑ **History shows that interest rates often do not rise as much as is indicated by the forward yield curve, hence yield curve carry trades tend to return a profit**

**Example**



“Slide” is the expectation that the bond investment will increase in value due to the slope of the yield curve. Although a small yield change it is multiplied by a long duration.

“Carry” is the interest earned because the bond accrues more than the short term loan.

- ❑ If interest rates decrease, remain the same or even increase by a small amount, the investment returns a profit
- ❑ If interest rates increase enough to offset slide and carry gains, the investment returns a loss

### Bond "Carry-to-Risk" ratio

- ❑ Include "slide" along with the explicit "carry"
- ❑ Compare the "slide" plus the "carry" with the "risk" of the long term zero-coupon bond investment
- ❑ Use the 12 month realised volatility of a (constant maturity) synthetic zero-coupon bond price to represent the risk of the trade

$$\text{Carry-to-Risk Ratio} = \frac{\text{Slide + Carry}}{12\text{m Realised Zero Coupon Bond Volatility}}$$

### Trade selection and monthly rebalancing

USD, EUR and JPY yield curves



Carry-to-Risk ratio for 2, 5, 7 and 10 year zero coupon bonds vs. 1-month borrowing



Invest in the single highest Carry-to-Risk position by buying the zero and funding with cash



Vary the weighting of the trade with a target 8% return subject to a target maximum 12% annualised volatility giving a target 8% annualised volatility across Yield Alpha 8

### Strategy calculation

- ❑ Rebalances at the start of each month
- ❑ There is a replication fee of 1.0% per annum deducted from returns

The strategy replicates trades across four different carry opportunities:

1. Bond Alpha 8 - Bond yields compared to short-term interest rates
2. Equity Alpha 8 - Equity earnings yields compared to short-term real interest rates
3. FX Alpha 8 - Interest rate differentials between different currencies
4. Variance Alpha 8 - Risk premium between implied and realised equity volatility

**BOND ALPHA 8**

Historically, interest rates tend not to rise as much as implied by the market, and hence bond investments tend to outperform cash investments over the long term. BOND ALPHA 8 will replicate an investment in the bond position with the highest risk adjusted carry across 3 currencies: USD, EUR and JPY.

**EQUITY ALPHA 8**

Over the long term, equities have out-performed almost every asset class. High earnings to price ratio for an equity can be a measure of long-term growth opportunities. EQUITY ALPHA 8 will replace an investment in the equity index with the highest risk-adjusted carry across 4 regions: US, Europe, Japan and the UK.

**FX ALPHA 8**

History shows that higher yielding currencies tend to appreciate, hence owning these currencies tends to yield capital profit in addition to capturing positive interest rate differential. FX ALPHA 8 will replicate investments in the 4 FX pairs showing the highest risk adjusted carry out of 14 G10 currency pairs.

**VARIANCE ALPHA 8**

Systematic imbalances may exist in option markets, where market volatility tends to be priced higher than is actually realised, because of the risk premium that end users are willing to pay for protection through options. VARIANCE ALPHA 8 aims to exploit this potential imbalance.

The Yield Alpha 8 strategy rebalances monthly and is completely non-discretionary. Returns are calculated based on transparent market observable parameters and JPMorgan charges a strategy fee of 1.00% per annum.

**4.3. JPMorgan Efficiente USD Index (Bloomberg Code EFJPUS8E)**

JPMorgan's Efficiente USD Index ("Efficiente") is a cross-asset strategy targeting high returns per unit of risk by using portfolio optimisation technology.

Efficiente makes use of the "modern portfolio theory" ("MPT") approach to asset allocation. MPT suggests how a rational investor should allocate their capital across the available universe of assets in order to maximise returns for a given risk appetite.

Efficiente is based on a portfolio of nine global indices covering all major asset classes and geographic regions. The strategy rebalances every quarter by selecting new weights for each asset in the portfolio, each funded by a cash position. Observing the performance of each asset over the past 6 months, the strategy selects these weights such that they would have maximised the return of the portfolio whilst keeping the realised volatility below 8%. Efficiente tracks the returns of this portfolio over a cash investment.

Efficiente selects weights to be assigned to the universe of nine indices:

- ❑ Weights can range from 0% to the Asset Cap, in multiples of 5%
- ❑ There are overall Sector Caps to ensure diversification
- ❑ All assets are denominated in US dollars
- ❑ All positions are financed by short term borrowing of cash

Sector	Sector Cap	Asset	Asset Cap
Developed Equity	50%	MSCI North America	25%
		MSCI Europe	25%
		MSCI Asia (inc Japan)	25%

Sector	Sector Cap	Asset	Asset Cap
Global Debt	50%	JPMorgan Global Government Bonds (USD hedged)	25%
		JPMorgan 3 Month USD Cash Index	50%

Sector	Sector Cap	Asset	Asset Cap
Alternative Investments	50%	GPR/JPMorgan Global Property Index	25%
		DJAIG Commodity Index	25%

Sector	Sector Cap	Asset	Asset Cap
Developed Equity	50%	MSCI Emerging Market Equity	25%
		JPMorgan Emerging Market Bond Index	25%

It should be noted that Efficiente is a basket of notional exposures to the component indices. There is no actual portfolio of assets to which any person is entitled or in which any person has an ownership interest.

Efficiente derives its returns from the weighted performance of nine indices representing equities, bonds, commodities and property. Each of these asset classes presents investment risks.

The Efficiente strategy is based on the “modern portfolio theory” approach to asset allocation described above. There is no guarantee that this strategy will outperform any alternative strategy that might be employed in respect of the component indices. The strategy tracks excess returns over a cash investment and as such any allocation to the JPMorgan Cash Index will result in this portion of the portfolio not being invested.

The weights of the component indices selected every quarter are selected such that the hypothetical historical volatility of the rebalanced portfolio would have been no more than 8%. However, the realised volatility of Efficiente over any period may be more or less than 8%.

## 5. The Equity Dynamic Portfolio

The Equity Dynamic Portfolio is made up of the Equity Asset and a Cash Asset. For the Equity Dynamic Portfolio, the Equity Asset is a notional investment in the iShares MSCI Emerging Markets Index Fund (the Equity Asset). The Cash Asset is a notional investment in cash which earns a return at the then prevailing wholesale market rates based on the Australian dollar swap rate.

The Equity Dynamic Portfolio is designed to provide exposure to the Equity Asset in the portfolio of up to 200%, while ensuring that the Investor's Principal is returned at the Expiry Date. This is achieved by actively allocating between the Equity Asset and a Cash Asset in accordance with a set of predefined rules – the Equity Dynamic Portfolio Rules.

### 5.1. The Equity Dynamic Portfolio Rules

The Equity Dynamic Portfolio Rules work on the basis of two concepts, an Investment Floor which represents the current cost to buy a Cash Asset which would pay out an amount equal to the Notional Equity Dynamic Portfolio on the Expiry Date ("Investment Floor"), and a Cushion which represents the difference between the Equity Dynamic Portfolio Value and the Investment Floor ("Cushion").

The Equity Dynamic Portfolio Rules require that the notional investment in the Equity Asset is maintained at a level which is equal to a constant multiple or proportion of the Cushion. The constant proportion has been determined by reference to the price volatility of the relevant asset and represents the size of a rapid fall in the value of the asset required for the Equity Dynamic Portfolio Value to fall to the Investment Floor (called the "Crash Size"). In the case of the Equity Dynamic Portfolio the Crash Size is 25%.

The allocation between the Equity Asset and the Cash Asset within the Equity Dynamic Portfolio is determined on each Rebalancing Date and if required, rebalanced in accordance with the Equity Dynamic Portfolio Rules. Instead of waiting for the Equity Dynamic Portfolio Value to fall to the Investment Floor, a gradual rebalancing is made as the performance of the Equity Asset and the Equity Dynamic Portfolio Value rises and falls. This helps to ensure that the value of the Equity Asset in the Equity Dynamic Portfolio will be sufficient to provide Principal at the Expiry Date. It also provides an efficient exposure to the Equity Asset given the assumptions made about the Equity Asset, which determine the Crash Size.

The Equity Dynamic Portfolio Rules can be summarised as follows (these will be followed by JPMIAL on each Rebalancing Date after the Issue Date):

#### 5.1.1. Equity Dynamic Portfolio Value

JPMIAL will calculate the Equity Dynamic Portfolio Value. This is the sum of the value of the Equity Asset and the Cash Asset in the Equity Dynamic Portfolio minus an amount of the Annual Equity Asset Fee and notional borrowings and costs.

#### 5.1.2. Investment Floor

JPMIAL will calculate the Investment Floor. This is the cost on that day to buy an amount of the Cash Asset which would grow (at the then prevailing wholesale market rates based on the Australian dollar swap rate) to the Notional Equity Dynamic Portfolio Value by the Expiry Date.

### 5.1.3. Cushion

JPMIAL will calculate the Cushion. This is the amount by which the Equity Dynamic Portfolio Value exceeds the Investment Floor. It is expressed as a percentage of the Equity Dynamic Portfolio Value.

$$\text{Cushion} = \frac{\text{Equity Dynamic Portfolio Value} - \text{Investment Floor}}{\text{Equity Dynamic Portfolio Value}}$$

### 5.1.4. Target Equity Asset Exposure

JPMIAL will determine the Target Equity Asset Exposure and the resulting exposure to the Cash Asset.

Target Equity Asset Exposure is calculated as follows:

$$\text{Min} \left[ 200\%, \text{Max} \left( 20\%, \frac{\text{Cushion}}{\text{Equity Asset Asset Crash Size (25\%)}} \right) \right]$$

For the purposes of determining whether JPMIAL needs to rebalance the Dynamic Portfolio, the Maximum Equity Asset Exposure is 200%. The Minimum Equity Asset Exposure is 20%. However, the allocation to the Cash Asset will remain  $1 - \frac{\text{Cushion}}{25\%}$  to ensure Principal at Expiry.

The following table sets out how the Equity Dynamic Portfolio Rules operate to set the Target Exposures across various levels of performance of the Dynamic Portfolio.

Cushion	Equity Asset	Cash Asset
60%+	200.00%	0.00%
50%	200.00%	0.00%
40%	160.00%	0.00%
35%	140.00%	0.00%
30%	120.00%	0.00%
25%	100.00%	0.00%
22%	88.00%	12.00%
20%	80.00%	20.00%
18%	72.00%	28.00%
16%	64.00%	36.00%
14%	56.00%	44.00%
12%	48.00%	52.00%

Cushion	Equity Asset	Cash Asset
10%	40.00%	60.00%
8%	32.00%	68.00%
6%	24.00%	76.00%
4%	20.00%	84.00%
2%	20.00%	92.00%
0%	20.00%	100.00%

### 5.1.5. Calculating the Initial Equity Dynamic Portfolio Value

The Notional Equity Dynamic Portfolio Value is equal to 100% of the Issue Price of EM+. As an amount of 3% representing the Adviser Fee (excluding GST) will be notionally deducted from the Equity Dynamic Portfolio on the Issue Date, the Initial Equity Dynamic Portfolio Value will be 97%.

On the Issue Date JPMIAL will:

1. calculate the Target Equity Asset Exposure;
2. notionally invest the Initial Equity Dynamic Portfolio Value (being the Notional Equity Dynamic Portfolio Value less 3% of that amount deducted by JPMIAL for Adviser Fees) in the Cash Asset and Equity Asset based on the relevant Target Equity Asset Exposure. As at the date of the PDS, the Equity Asset Initial Target Exposure is expected to be 100%; and
3. if the Equity Asset Initial Target Exposure is more than 100%, make a notional borrowing in order to acquire the level of Equity Asset the Equity Asset Initial Target Exposure requires.

For example, on the Issue Date, if we assume that the Cushion is 25.77%, the Target Equity Asset Exposure will be approximately 103%. The Cushion will be 25.77% if, for every A\$1 invested, the cost to buy the Cash Asset on the Issue Date to grow to the Principal by the Expiry Date is A\$0.72 which would result in an Investment Floor of A\$0.72 per EM+. The Equity Dynamic Portfolio Value of A\$0.97 (i.e. the Initial Equity Dynamic Portfolio Value) less the Investment Floor of A\$0.72 gives a Cushion of 25.77% (i.e. A\$0.25/A\$0.97).

### 5.1.6. Rebalancing the Equity Dynamic Portfolio

On each Business Day during the term of the EM+, JPMIAL will compare the Target Equity Asset Exposure to the current proportions of the Equity Asset and the Cash Asset currently in the Equity Dynamic Portfolio. If the Target Equity Asset Exposure is 15% (or more) above, or 15% (or more) below ("Over/Under Investment Triggers"), the actual exposure, then JPMIAL will notionally sell the assets against which the Equity Dynamic Portfolio is over-exposed and notionally purchase the assets against which the Equity Dynamic Portfolio is under-exposed until the composition of the Equity Dynamic Portfolio is as near as practical to the Target Equity Asset Exposure.

JPMIAL will determine the Equity Dynamic Portfolio Value on each Rebalancing Date at 8:00PM London time on that same day other than the Issue Date by:

- determining the current value of the Equity Asset in the Equity Dynamic Portfolio by reference to the official closing price of the Equity Asset;

- adding the current value of the Cash Asset in the Equity Dynamic Portfolio by reference to its face value, discounted at the then prevailing market interest rates;
- adding or subtracting a “lag amount” determined by JPMIAL to take into account the fact that any changes to the Equity Dynamic Portfolio will take a Business Day to implement; and
- subtracting a notional amount of fees and subtracting any notional borrowings.

JPMIAL will then determine the relevant Cushion and Target Equity Asset Exposure for the Equity Dynamic Portfolio and whether the Over/Under Investment Trigger has been reached or exceeded. If the Over/Under Investment Trigger has been reached or exceeded, then JPMIAL will notionally buy or sell assets as described above in order to rebalance the Equity Dynamic Portfolio.

These changes are implemented on the following Business Day (and on that day, the process commences once more). It may be that a notional borrowing is required in order to acquire the level of Equity Asset the Target Equity Asset Exposure requires. Notional borrowing is required whenever the allocation to the Equity Asset exceeds 100%. The amount of any notional borrowing is increased daily by reference to the then prevailing wholesale market interest rates and is repaid when the Equity Asset is notionally sold.

#### **5.1.7. Fees and Borrowings**

JPMIAL will charge an Annual Equity Asset Fee of 1.80% per annum of the higher of the allocation to Equity Asset in the Equity Dynamic Portfolio, and the Equity Dynamic Portfolio Value. The Annual Equity Asset Fee will be calculated and notionally deducted from the Equity Dynamic Portfolio Value on each day of the Term.

The Equity Dynamic Portfolio Value is calculated as a value per EM+ (not an aggregate figure).

#### **5.1.8. Can the components of the Equity Dynamic Portfolio or the Equity Dynamic Portfolio Rules change?**

The Equity Dynamic Portfolio Rules are set out at the Issue Date and are intended to remain constant throughout the Term. However, JPMIAL may vary the manner of valuing the Equity Dynamic Portfolio, the constitution of the Equity Dynamic Portfolio or the Equity Dynamic Portfolio Rules themselves if JPMIAL considers such a variation to be appropriate in connection with any market disruption, settlement disruption, corporate action or any other event which could impair or limit the ability of a person to value or effect a transaction in any part of the Equity Dynamic Portfolio or which may affect the theoretical value of any part of the Equity Dynamic Portfolio.

### **5.2. How is the Expiry Amount calculated?**

The Expiry Amount of the EM+ is directly linked to the Equity Dynamic Portfolio Value. The Expiry Amount is the Principal plus the increase in the Equity Dynamic Portfolio Value over the Term. This can be calculated as follows:

$$\text{Max} \left( 100\%, \frac{\text{Final Equity Dynamic Portfolio Value}}{\text{Notional Equity Dynamic Portfolio Value}} \right) \times \text{Issue Price}$$

Accordingly, the minimum Expiry Amount on the Expiry Date is the Principal.

## 6. The Coupon Dynamic Portfolio

The Coupon Dynamic Portfolio is made up of the Coupon Asset and a Cash Asset. For the Coupon Dynamic Portfolio, the Coupon Asset is an equally weighted basket at Issue Date of the JPMorgan Yield Alpha 8 USD Index and the JPMorgan Efficiente USD Index (the Coupon Asset). The Cash Asset is a notional investment in cash which earns a return at the then prevailing wholesale market rates based on the Australian dollar swap rate.

The Coupon Dynamic Portfolio is designed to provide exposure to the Coupon Asset in the portfolio of up to 200%, while ensuring that the Coupon Dynamic Portfolio is at least equal to the Notional Coupon Dynamic Portfolio Value at the Expiry Date. This is achieved by actively allocating between the Coupon Asset and a Cash Asset in accordance with a set of predefined rules – the Coupon Dynamic Portfolio Rules. The Coupon Dynamic Portfolio only generates the Coupon Amounts and is not relevant in determining the Principal protection in EM+.

### 6.1. The Coupon Dynamic Portfolio Rules

The Coupon Dynamic Portfolio Rules work on the basis of two concepts, an Investment Floor which represents the current cost to buy a Cash Asset which would pay out an amount equal to the Notional Coupon Dynamic Portfolio Value on the Expiry Date (“Investment Floor”), and a Cushion which represents the difference between the Coupon Dynamic Portfolio Value and the Investment Floor (“Cushion”).

The Coupon Dynamic Portfolio Rules require that the notional investment in the Coupon Asset is maintained at a level which is equal to a constant multiple or proportion of the Cushion. The constant proportion has been determined by reference to the price volatility of the relevant asset and represents the size of a rapid fall in the value of the asset required for the Coupon Dynamic Portfolio Value to fall to the Investment Floor (called the “Crash Size”). In the case of the Coupon Dynamic Portfolio the Crash Size is 17.5%.

The allocation between the Coupon Asset and the Cash Asset within the Coupon Dynamic Portfolio is determined on each Rebalancing Date and if required, rebalanced in accordance with the Coupon Dynamic Portfolio Rules. Instead of waiting for the Coupon Dynamic Portfolio Value to fall to the Investment Floor, a gradual rebalancing is made as the performance of the Coupon Asset and the Coupon Dynamic Portfolio Value rises and falls. This helps to ensure that the value of the Coupon Asset in the Coupon Dynamic Portfolio will be sufficient to provide the Notional Coupon Dynamic Portfolio Value at the Expiry Date. It also provides an efficient exposure to the Coupon Asset given the assumptions made about the Coupon Asset, which determine the Crash Size.

The Coupon Dynamic Portfolio Rules can be summarised as follows (these will be followed by JPMIAL on each Rebalancing Date after the Issue Date):

#### 6.1.1. Coupon Dynamic Portfolio Value

JPMIAL will calculate the Coupon Dynamic Portfolio Value. This is the sum of the value of the Coupon Asset and the Cash Asset in the Coupon Dynamic Portfolio minus the Annual Coupon Asset Fee.

#### 6.1.2. Investment Floor

JPMIAL will calculate the Investment Floor. This is the cost on that day to buy an amount of the Cash Asset which would grow (at the then prevailing wholesale market rates based on the Australian dollar swap rate) to the Notional Coupon Dynamic Portfolio Value by the Expiry Date.

### 6.1.3. Cushion

JPMIAL will calculate the Cushion. This is the amount by which the Coupon Dynamic Portfolio Value exceeds the Investment Floor. It is expressed as a percentage of the Coupon Dynamic Portfolio Value.

$$\text{Cushion} = \frac{\text{Coupon Dynamic Portfolio Value} - \text{Investment Floor}}{\text{Coupon Dynamic Portfolio Value}}$$

### 6.1.4. Target Coupon Asset Exposure

JPMIAL will determine the Target Coupon Asset Exposure and the resulting exposure to the Cash Asset. These are determined as set out in the following table:

Target Coupon Asset Exposure is calculated as follows:

$$\text{Min} \left[ 200\%, \text{Max} \left( 20\%, \frac{\text{Cushion}}{\text{Coupon Asset Crash Size (17.5\%)}} \right) \right]$$

For the purposes of determining whether JPMIAL needs to rebalance the Coupon Dynamic Portfolio, the Maximum Coupon Asset Exposure is 200%. The Minimum Coupon Asset Exposure is 20%. However, the allocation to the Cash Asset will remain  $1 - \frac{\text{Cushion}}{17.5\%}$  to ensure Notional Coupon Dynamic Portfolio Value at Expiry.

The following table sets out how the Coupon Dynamic Portfolio Rules operate to set the Target Coupon Asset Exposures across various levels of performance of the Coupon Dynamic Portfolio.

Cushion	Coupon Asset	Cash Asset
50.00%+	200.00%	0.00%
43.75%	200.00%	0.00%
40.00%	200.00%	0.00%
35.00%	200.00%	0.00%
30.00%	171.43%	0.00%
25.00%	142.86%	0.00%
20.00%	114.29%	0.00%
17.50%	100.00%	0.00%
15.00%	85.71%	14.29%
12.50%	71.43%	28.57%
10.00%	57.14%	42.86%
7.50%	42.86%	57.14%

Cushion	Coupon Asset	Cash Asset
5.00%	28.57%	71.43%
2.50%	20.00%	85.71%
0.00%	20.00%	100.00%

### 6.1.5. Calculating the Initial Coupon Dynamic Portfolio Value

The Notional Coupon Dynamic Portfolio Value is equal to 100% of the Issue Price of EM+. As an amount of 3% representing the Adviser Fee (excluding GST) will be notionally deducted from the Equity Dynamic Portfolio on the Issue Date, the Initial Coupon Dynamic Portfolio will be 97%.

On the Issue Date JPMIAL will:

1. calculate the Target Coupon Asset Exposure; and
2. notionally invest the Initial Coupon Dynamic Portfolio Value in the Cash Asset and the Coupon Asset based on the relevant Initial Coupon Asset Exposure. As at the date of this PDS, the Initial Coupon Asset Exposure is expected to be 150%.

For example, on the Issue Date, if we assume that the Cushion is 25.77%, the Target Coupon Asset Exposure will be approximately 147.26%. The Cushion will be 25.77% if, for every A\$ 1 invested, the cost to buy the Cash Asset on the Issue Date to grow to the Notional Coupon Dynamic Portfolio Value by the Expiry Date over the Term is A\$0.72 which would result in an Investment Floor of A\$0.72. The Coupon Dynamic Portfolio Value of A\$0.97 (i.e. the Initial Coupon Dynamic Portfolio Value) less the Investment Floor of A\$0.72 gives a Cushion of 25.77% (i.e. A\$0.25/A\$0.97).

### 6.1.6. Rebalance the Coupon Dynamic Portfolio

On each Business Day during the term of the EM+, JPMIAL will compare the Target Coupon Asset Exposure to the current proportions of the Coupon Asset and the Cash Asset currently in the Coupon Dynamic Portfolio. If the Target Coupon Asset Exposure is 15% (or more) above, or 15% (or more) below ("Over/Under Investment Triggers"), than the actual exposure, then JPMIAL will notionally sell the assets against which the Coupon Dynamic Portfolio is over-exposed and notionally purchase the assets against which the Coupon Dynamic Portfolio is under-exposed until the composition of the Coupon Dynamic Portfolio is as near as practical to the Target Coupon Asset Exposure.

JPMIAL will determine the Coupon Dynamic Portfolio Value on each Rebalancing Date at 8:00PM London time on that same day other than the Issue Date by:

- determining the current value of the Coupon Asset in the Coupon Dynamic Portfolio by reference to the most recently published net asset values per unit or official closing price of each of their respective components;
- adding the current value of the Cash Asset in the Coupon Dynamic Portfolio by reference to its face value, discounted at the then prevailing market interest rates; and
- adding or subtracting a "lag amount" determined by JPMIAL to take into account the fact that any changes to the Coupon Dynamic Portfolio will take a Business Day to implement.

JPMIAL will then determine the relevant Cushion and Target Coupon Asset Exposure for the Coupon Dynamic Portfolio and whether the Over/Under Investment Trigger has been reached or exceeded. If the Over/Under Investment Trigger has been reached or exceeded, then JPMIAL will notionally increase or decrease exposure to the assets as described above in order to rebalance the Coupon Dynamic Portfolio.

These changes are implemented on the following Business Day (and on that day, the process commences once more).

### 6.1.7. Fees and Borrowings

JPMIAL will charge an Annual Coupon Asset Fee of 1.40% per annum of the higher of the allocation to Coupon Asset in the Coupon Dynamic Portfolio, and the Coupon Dynamic Portfolio Value. The Annual Coupon Asset Fee will be calculated and notionally deducted from the Coupon Dynamic Portfolio Value on each day of the Term.

The Coupon Dynamic Portfolio Value is calculated as a value per EM+ (not an aggregate figure).

### 6.1.8. Can the components of the Coupon Dynamic Portfolio or the Coupon Dynamic Portfolio Rules change?

The Coupon Dynamic Portfolio Rules are set out at the Issue Date and are intended to remain constant throughout the Term. However, JPMIAL may vary the manner of valuing the Coupon Dynamic Portfolio, the constitution of the Coupon Dynamic Portfolio or the Coupon Dynamic Portfolio Rules themselves if JPMIAL considers such a variation to be appropriate in connection with any market disruption, settlement disruption, corporate action or any other event which could impair or limit the ability of a person to value or effect a transaction in any part of the Coupon Dynamic Portfolio or which may affect the theoretical value of any part of the Coupon Dynamic Portfolio.

## 6.2. How are the Coupon Amounts calculated?

The Coupon Amounts of the EM+ are directly linked to the Coupon Dynamic Portfolio Value. The Coupon Amounts are calculated as the increase in the Coupon Dynamic Portfolio Value in the following circumstances:

### Year 1

$$\text{Max} \left[ 0\%, \text{Min} \left( 8\%, \frac{\text{Coupon Dynamic Portfolio Value}_{\text{Year1}}}{\text{Notional Coupon Dynamic Portfolio Value}} - 97\% \times \text{Notional Coupon Dynamic Portfolio Value} \right) \right]$$

provided Target Coupon Asset Exposure  $\geq$  50% on the next Rebalancing Date.

### Year 2

$$\text{Max} \left[ 0\%, \text{Min} \left( 8\%, \frac{\text{Coupon Dynamic Portfolio Value}_{\text{Year2}}}{\text{Notional Coupon Dynamic Portfolio Value}} - 97\% \times \text{Notional Coupon Dynamic Portfolio Value} \right) \right]$$

provided Target Coupon Asset Exposure  $\geq$  50% on the next Rebalancing Date.

**Year 3**

$$\text{Max} \left[ 0\%, \text{Min} \left( 8\%, \frac{\text{Coupon Dynamic Portfolio Value}_{\text{Year3}}}{\text{Notional Coupon Dynamic Portfolio Value}} - 97\% \times \text{Notional Coupon Dynamic Portfolio Value} \right) \right]$$

provided Target Coupon Asset Exposure  $\geq$  50% on the next Rebalancing Date.

**Year 4**

$$\text{Max} \left[ 0\%, \text{Min} \left( 8\%, \frac{\text{Coupon Dynamic Portfolio Value}_{\text{Year4}}}{\text{Notional Coupon Dynamic Portfolio Value}} - 97\% \times \text{Notional Coupon Dynamic Portfolio Value} \right) \right]$$

**Year 5**

$$\text{Max} \left( 0\%, \frac{\text{Coupon Dynamic Portfolio Value}_{\text{Final}}}{\text{Notional Coupon Dynamic Portfolio Value}} - \text{Notional Coupon Dynamic Portfolio Value} \right)$$

For examples as to how the Coupon Amounts are calculated please see Section 8 Example calculations.

## 7. Loan Amount

JPMIAL will make available to Investors in the Geared EM+ an investment loan of \$100.00 on Issue Date for each Geared EM+. By subscribing for a Geared EM+, each Investor acknowledges that by entering into the Loan Agreement it may only use the Loan for business or investment purposes.

The Loan is a limited recourse facility whereby JPMIAL's recourse against the Investor is limited to the total amount received by JPMIAL on disposal of the Underlying Parcel relating to the EM+ held by the Investor (whether by exercising a power of sale or otherwise). JPMIAL will not take any action against the Investor in relation to the Loan to recover any amount beyond enforcing the Security Interest.

A Loan Applicant irrevocably authorises and directs JPMIAL to apply the Initial Loan Amount on the Issue Date in accordance with clause 2.5 of the Terms.

A Loan Applicant or Transferee of a Loan Applicant (as applicable) is automatically taken to have requested an advance on the Issue Date or Transfer Date (as applicable) of the Loan for the Initial Loan Amount (being the Application Amount less the First Instalment plus the first year's Interest) on that date.

Interest will be payable in advance on the Loan on each Interest Date at the Interest Rate and calculated as follows:

$$\begin{aligned}\text{Interest}_1 &= \text{Loan Amount}_1 \times 8.25\% \\ \text{Interest}_2 &= \text{Loan Amount}_2 \times 8.25\% + \text{Interest in Advance} \times 8.25\% \\ \text{Interest}_3 &= \text{Loan Amount}_3 \times 8.25\% + \text{Interest in Advance} \times 8.25\% \\ \text{Interest}_4 &= \text{Loan Amount}_4 \times 8.25\% + \text{Interest in Advance} \times 8.25\% \\ \text{Interest}_5 &= \text{Loan Amount}_5 \times 8.25\% + \text{Interest in Advance} \times 8.25\%\end{aligned}$$

where:

$\text{Loan Amount}_t$  is the value of the outstanding Loan Amount prior to the prepayment of interest for each year  $t$  (where  $t$  is years 1 to 5) but after the deduction of Coupon Amounts for year  $t-1$ .

After the first Interest payment, on each Interest Payment Date the Investor is automatically taken to have requested a further drawdown under the Loan Agreement to pay the Interest on the Loan. These additional drawdowns will increase the outstanding Loan Amount. Any Coupon Amounts paid will be used to reduce the Loan Amount. To the extent the additional drawdowns made in respect of the Interest payments are more than the Coupon Amounts, the outstanding Loan Amount will increase over the Term and it is therefore possible that the Geared EM+ may have no value at Expiry. For information about the treatment of Interest for Transferors and Transferees, please see the Terms of Loan.

## 8. Example Calculations

The calculations and charts below are examples only and are included merely to indicate the way in which EM+ performs in certain circumstances. Example performances are not indicative of future performance.

### 8.1. Example 1 EM+ (no Loan)

The following table sets out an example performance of an EM+:

	Issue Date	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Underlying Parcel</b>						
EEM US Price at Issue Date (USD)	150	160	180	170	180	185
AUD/USD Rate	0.85	0.88	0.75	0.80	0.60	0.75
AUD Value of EEM US <sup>1</sup>	176.47	181.82	240.00	212.50	300.00	246.67
Warrant Multiplier <sup>2</sup>	0.5667	0.5667	0.5667	0.5667	0.5667	0.5667
AUD Value of underlying EEM US in EM+ <sup>3</sup>	100.00	103.03	136.00	120.42	170.00	139.78
<b>Equity Dynamic Portfolio</b>						
Equity Dynamic Portfolio Value/Expiry Amount <sup>4</sup>	97.00%	110.00%	140.00%	120.00%	135.00%	140.00%
Swap Differential <sup>5</sup>						0.22%
<b>Coupons</b>						
Coupon Dynamic Portfolio Value	97%	95%	106%	101%	103%	101%
Coupons		0.00%	8.00%	4.00%	6.00%	1.00%
Coupon per EM+ AUD		0.00	8.00	4.00	6.00	1.00

<sup>1</sup> The AUD value of EEM US is the EEM USD Price divided by the AUD/USD exchange rate

<sup>2</sup> The Warrant Multiplier is calculated at Issue date as the AUD value of the underlying EEM US in EM+ divided by the AUD value of EEM US. This is the portion of EEM US shares in the EM+ and is constant for the term.

<sup>3</sup> The AUD Value of the Underlying Parcel in EM+ is 100 on Issue Date. It is then calculated as the AUD Value of EEM US multiplied by the Warrant Multiplier.

<sup>4</sup> The Equity Dynamic Portfolio Value is the value realised from applying the Equity Dynamic Portfolio Rules, and in year 5 is the Expiry Amount.

<sup>5</sup> The value of the Swap Differential is the difference between the value of the Expiry Amount and the value of the Underlying Parcel. If you take delivery of the IEM AU this is the amount of cash you will receive if positive or will be required to pay if negative.

### Warrant Multiplier

In this example the Warrant multiplier is calculated as follows:

$$\frac{100}{\text{EEM\_US Price}} \times \text{AUD / USD} = \frac{100}{150} \times 0.85 = 0.5667$$

### Underlying Parcel at Expiry

At the Expiry Date, the value of EEM US is US\$185 and the AUD/USD exchange rate is 0.75. The value of the Underlying Parcel on the Expiry Date is:

$$\text{EEM\_US Price} \times \text{AUD / USD} \times \text{Warrant Multiplier} = \frac{185}{0.75} \times 0.5667 = \$139.78$$

### Expiry Amount and Swap Differential

The Expiry Amount is 140% and as a result the Swap Differential will be \$140 minus \$139.78 giving \$0.22 per EM+.

### Coupon Amounts

For the Coupon Amounts, at the end of the first year, the Coupon Dynamic Portfolio Value is 95% and as a result the Coupon Amount is 0%. This is calculated as follows:

$$\text{Max [0\%, Min (8\%, Coupon Dynamic Portfolio Value}_{\text{Year 1}} - 97\%)] = \text{Max [0\%, Min (8\%, 95\% - 97\%)]} = 0\%$$

At the end of the second year, the Coupon Dynamic Portfolio Value is 106% and as a result the Coupon Amount is 8% calculated as follows:

$$\text{Max [0\%, Min (8\%, Coupon Dynamic Portfolio Value}_{\text{Year 2}} - 97\%)] = \text{Max [0\%, Min (8\%, 106\% - 97\%)]} = 8\%$$

At the end of the third year, the Coupon Dynamic Portfolio Value is 101% and as a result the Coupon Amount is 4% calculated as follows:

$$\text{Max [0\%, Min (8\%, Coupon Dynamic Portfolio Value}_{\text{Year 3}} - 97\%)] = \text{Max [0\%, Min (8\%, 101\% - 97\%)]} = 4\%$$

At the end of the fourth year, the Coupon Dynamic Portfolio Value is 103% and as a result the Coupon Amount is 6% calculated as follows:

$$\text{Max [0\%, Min (8\%, Coupon Dynamic Portfolio Value}_{\text{Year 4}} - 97\%)] = \text{Max [0\%, Min (8\%, 103\% - 97\%)]} = 6\%$$

In Year 5 the Coupon Amount is calculated as follows:

$$\text{Max (0\%, Coupon Dynamic Portfolio Value}_{\text{Year 5}} - 100\%) = \text{Max [0\%, 101\% - 100\%]} = 1\%$$

The Internal Rate of Return for the EM+ capturing each of the Coupon Amounts plus the Expiry Value is 10.29%.

## 8.2. Example 2 Geared EM+

The following table sets out the same performance of the Underlying Parcel, Equity Dynamic Portfolio Value and Coupon Dynamic Portfolio Value but for Geared EM+:

	Issue Date	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Underlying Parcel</b>						
EEM Price at Issue Date (USD)	150	160	180	170	180	185
AUD/USD Rate	0.85	0.88	0.75	0.80	0.60	0.75
AUD Value of EEM <sup>1</sup>	176.47	181.82	240.00	212.50	300.00	246.67
Warrant Multiplier <sup>2</sup>	0.5667	0.5667	0.5667	0.5667	0.5667	0.5667
AUD Value of underlying EEM in Geared EM+	100.00	103.03	136.00	120.42	170.00	139.78
<b>Equity Dynamic Portfolio</b>						
Equity Dynamic Portfolio Value/Expiry Amount	97.00%	110.00%	140.00%	120.00%	135.00%	140.00%
Swap Differential						0.22%
<b>Coupons</b>						
Notional Coupon Dynamic Portfolio Value	97%	95%	106%	101%	103%	101%
Coupons		0.00%	8.00%	4.00%	6.00%	1.00%
Coupon per Warrant AUD		0.00	8.00	4.00	6.00	1.00
<b>Loan</b>						
<b>Interest Rate</b>	8.25%					
Opening Loan Balance (Closing Balance from Previous Yr)	70.85	70.85	77.18	75.36	77.73	78.13
Coupon Payments		0.00	-8.00	-4.00	-6.00	-1.00
Adjusted Opening Loan Balance		70.85	69.18	71.36	71.73	77.13
Prepaid Interest	5.85	6.33	6.18	6.37	6.41	
Loan Balance for Year	70.85	77.18	75.36	77.73	78.13	77.13
<b>Geared EM+ Value</b>						\$62.87

### Initial Loan Amount

In this example the Loan is calculated as follows:

$$\text{Initial Loan Amount } (\$70.85) = \text{Issue Price } (\$100) - \text{First Instalment } (\$35.00) + \text{Prepaid Interest } (\$5.85)$$

### Loan Amount End of Year 1

At the end of year one, the pre-paid interest has been expensed and the balance of the Loan is \$70.85. Interest is calculated as follows:

$$\text{Interest on } \$70.85 = \$70.85 \times 8.25\% = \$5.85$$

As the \$5.85 is prepaid interest for year 2, this amount is added to the Loan at the end of Year 1 and interest of \$0.48 ( $\$5.85 \times 8.25\%$ ) is charged for the additional Loan Amount giving a total prepaid interest cost of \$6.33.

### Loan Amount End of Year 2

At the end of year 2, a Coupon Amount of 8.00% is paid for each EM+. This Coupon Amount is deducted from the Loan Amount leaving a Loan Amount before interest of \$69.18.

$$\text{Interest on } \$69.18 = \$69.18 \times 8.25\% = \$5.71$$

As the \$5.71 is prepaid interest for year 3, this amount is added to the Loan Amount at the end of Year 2 and interest of \$0.47 is charged for the additional Loan Amount giving a total prepaid interest cost of \$6.18.

### Loan Amount End of Year 3

At the end of year 3, a Coupon Amount of 4.00% is paid for each EM+. The amount of this Coupon is deducted from the Loan Amount leaving a Loan Amount before interest of \$71.36.

$$\text{Interest on } \$71.36 = \$71.36 \times 8.25\% = \$5.89$$

As the \$5.89 is prepaid interest for year 4, this amount is added to the Loan at the end of Year 3 and interest of \$0.48 is charged for the additional Loan Amount giving a total prepaid interest cost of \$6.37.

### Loan Amount End of Year 4

At the end of year 4, a Coupon Amount of 6.00% is paid for each EM+. The amount of this Coupon is deducted from the Loan Amount leaving a Loan Amount before interest of \$71.73.

$$\text{Interest on } \$71.73 = \$71.73 \times 8.25\% = \$5.92$$

As the \$5.92 is prepaid interest for year 5, this amount is added to the Loan at the end of Year 4 and interest of \$0.49 is charged for the additional Loan giving a total prepaid interest cost of \$6.41.

### At Expiry

At Expiry the Loan Amount is \$77.13. The value of the Underlying Parcel and Swap is \$140. The net value is \$62.87 which represents an internal rate of return on the \$35 Geared EM+ First Instalment of 12.43%.

### 8.3. Example 3 EM+ (no Loan)

The following table sets out a different example performance of an EM+. In these circumstances the EEM US shares performed poorly and the EM+ returned only the Principal at Expiry, however the Coupon Asset generated some returns.

	Issue Date	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Underlying Parcel</b>						
EEM Price at Issue Date (USD)	170	150	130	150	140	160
AUD/USD Rate	0.85	0.88	0.89	0.95	0.90	0.85
AUD Value of EEM	200.00	170.45	146.07	157.89	155.56	188.24
Warrant Multiplier	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000
AUD Value of underlying EEM in EM+	100.00	85.23	73.03	78.95	77.78	94.12
<b>Equity Dynamic Portfolio</b>						
Equity Dynamic Portfolio Value/Expiry Amount	97.00%	95.00%	91.00%	92.00%	95.00%	100.00%
Swap Differential						5.88%
<b>Coupons</b>						
Coupon Dynamic Portfolio Value	97%	102%	100%	100%	106%	101%
Coupons		5.00%	3.00%	3.00%	8.00%	1.00%
Coupon per EM+ AUD		5.00	3.00	3.00	8.00	1.00

#### Warrant Multiplier

In this example the Warrant Multiplier is calculated as follows:

$$\frac{100}{\text{EEM\_US Price}} \times \text{AUD / USD} = \frac{100}{170} \times 0.85 = 0.5000$$

#### Underlying Parcel at Expiry

At the Expiry Date, the value of EEM US is US\$160 and the AUD/USD exchange rate is 0.85. The value of the Underlying Parcel at Expiry is:

$$\text{EEM\_US Price} \times \text{AUD / USD} \times \text{Warrant Multiplier} = \frac{160}{0.85} \times 0.5000 = \$94.12$$

### Expiry Amount and Swap Differential

The Expiry Amount is 100% and as a result the Swap Differential will be \$100 minus \$94.12 giving \$5.88 per EM+. In total the Market Value of the Underlying Parcel and the Swap Differential is \$100 providing the Principal protection.

### Coupon Amounts

For the Coupon Amounts, at the end of the first year, the Coupon Dynamic Portfolio Value is 102% and as a result the Coupon Amount is 5%. The Coupon Amount calculation is:

$$\text{Max [0\%, Min (8\%, Coupon Dynamic Portfolio Value}_{\text{Year 1}} - 97\%)] = \text{Max [0\%, Min (8\%, 102\% - 97\%)]} = 5\%$$

Additional Coupon Amounts were made in Years 2 and 3.

At the end of the fourth year, the Coupon Dynamic Portfolio Value is 106% and as a result the Coupon Amount is 8% calculated as follows:

$$\text{Max [0\%, Min (8\%, Coupon Dynamic Portfolio Value}_{\text{Year 2}} - 97\%)] = \text{Max [0\%, Min (8\%, 106\% - 97\%)]} = 8\%$$

At the end of Year 5 the Coupon Amount is calculated as follows:

$$\text{Max (0\%, Coupon Dynamic Portfolio Value}_{\text{Year 5}} - 100\%) = \text{Max [0\%, (101\% - 100\%)]} = 1\%$$

The Internal Rate of Return for the EM+ capturing each of the Coupon Amounts plus the Expiry Value is 4.02%.

### 8.4. Example 4 Geared EM+

The following table sets out a different example performance of the Underlying Parcel, Equity Dynamic Portfolio Value and Coupon Dynamic Portfolio Value in the Geared EM+:

	Issue Date	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Underlying Parcel</b>						
EEM Price at Issue Date (USD)	130	150	180	200	250	290
AUD/USD Rate	0.85	0.88	0.89	0.95	0.90	0.85
AUD Value of EEM	152.94	170.45	202.25	210.53	277.78	341.18
Warrant Multiplier	0.6538	0.6538	0.6538	0.6538	0.6538	0.6538
AUD Value of underlying EEM in EM+	100.00	111.45	132.24	137.65	181.62	223.06
<b>Equity Dynamic Portfolio</b>						
Equity Dynamic Portfolio Value/Expiry Amount	97.00%	120.00%	140.00%	150.00%	175.00%	180.00%
Swap Differential						-43.06%
<b>Coupons</b>						
Notional Coupon Dynamic Portfolio Value	97%	99%	97%	92%	96%	100%
Coupons		2.00%	0.00%	0.00%	0.00%	0.00%
Coupon per Warrant AUD		2.00	0.00	0.00	0.00	0.00
<b>Loan</b>						
<b>Interest Rate</b>	8.25%					
Opening Loan Balance (Closing Balance from Previous Yr)	70.85	70.85	75.00	81.70	89.00	96.95
Coupon Payments		-2.00	0.00	0.00	0.00	0.00
Adjusted Opening Loan Balance		68.85	75.00	81.70	89.00	96.95
Prepaid Interest	5.85	6.15	6.70	7.30	7.95	
Loan Balance for Year	70.85	75.00	81.70	89.00	96.95	96.95
<b>Geared EM+ Value</b>						\$83.05

### Warrant Multiplier

In this example the Warrant multiplier is calculated as follows:

$$\frac{100}{\text{EEM\_US Price}} \times \text{AUD / USD} = \frac{100}{130} \times 0.85 = 0.6538$$

### Underlying Parcel at Expiry

At the Expiry Date, the value of EEM US is US\$290 and the AUD/USD exchange rate is 0.85. The value of the Underlying Parcel at Expiry is:

$$\text{EEM\_US Price} \times \text{AUD / USD} \times \text{Warrant Multiplier} = \frac{290}{0.85} \times 0.6538 = \$223.06$$

### Expiry Amount and Swap Differential

The Expiry Amount is 180% and as a result the Swap Differential will be \$223.06 minus \$180.00 giving \$43.06 per EM+ in favour of JPMIAL. This amount will be deducted from the proceeds of the sale of the Underlying Parcel.

If an Investor elects, JPMIAL will convert the Underlying Parcel to the ASX listed iShares MSCI Emerging Markets Index Fund Chess Depository Instruments ("IEM AU") in accordance with the Terms of the EM+, the Security Trustee will deliver AUD 43.06 worth of the Underlying Parcel in satisfaction of your obligation to pay this amount and the residual will be settled in IEM AU.

### Loan Amount

In this example the Loan is calculated as follows:

$$\text{Initial Loan Amount } (\$70.85) = \text{Issue Price } (\$100) - \text{First Instalment } (\$35) + \text{Prepaid Interest } (\$5.85)$$

At the end of year one, the pre-paid interest has been expensed and the balance of the Loan is \$70.85. The Coupon Amount is \$2.00 and this is deducted from the Loan Balance giving a balance of \$68.85. At the beginning of Year 2 interest is calculated as follows:

$$\text{Interest on } \$68.85 = \$68.85 \times 8.25\% = \$5.68$$

As the \$5.68 is prepaid interest for year 2, this amount is added to the Loan at the start of Year 2 and interest of \$0.47 is charged for the additional Loan Amount giving a total prepaid interest cost of \$6.15.

After the end of year 1, no further Coupon Amounts are paid and additional drawdowns are made for interest charges for the remainder of the Term.

The net value of EM+ is \$83.05 (\$180 – Loan balance of \$96.95) which represents an internal rate of return on the \$35 Geared EM+ First Instalment of 18.87%.

## 9. Information relating to JPMorgan

### 9.1. JPMorgan Investments Australia Limited

JPMIAL is a company incorporated in the Commonwealth of Australia and is indirectly a wholly owned subsidiary of the JPMorgan Chase Bank. The business of JPMIAL is to issue structured products and investments.

JPMIAL holds an Australian Financial Services Licence AFSL No.298633.

JPMIAL has fully paid share capital of \$15.1 million and net assets of \$18.16 million (as at 31 December 2007). Financial statements for JPMIAL will be prepared and lodged with the Australian Securities and Investments Commission. When available, copies of JPMIAL's financial statements will be available upon request.

J.P. Morgan Australia Limited has issued a guarantee over the Structured Product Programme of JPMIAL which includes the EM+ issued pursuant to this Offer.

JPMIAL will hedge its obligations under EM+ through a deposit with the JPMorgan Chase Bank and/or one of its affiliates and/or purchasing derivatives from the JPMorgan Chase Bank and/or one of its affiliates. J.P. Morgan Australia Limited will take a charge over any such deposits or derivatives as consideration for providing the guarantee in favour of JPMIAL.

### 9.2. JPMorgan Chase Bank, N.A.

JPMorgan Chase Bank is a wholly owned bank subsidiary of JPMorgan Chase & Co., ("JPMorgan Chase"). JPMorgan Chase Bank is supervised by the U.S. Office of the Comptroller of the Currency ("OCC") and its registered office is located at 1111 Polaris Parkway, Columbus, Ohio, 43271, USA. JPMorgan Chase Bank is a commercial bank offering a wide range of banking services to its customers both domestically and internationally. JPMorgan Chase Bank was organised in the legal form of a banking corporation on 25 November 1968 and, on 13 November 2004, converted into a national banking association organised under the laws of the United States of America, for an unlimited duration. On the same date Bank One, National Association (Chicago, Illinois) and Bank One, National Association (Columbus, Ohio) merged into JPMorgan Chase Bank, with JPMorgan Chase Bank being the surviving legal entity.

JPMorgan Chase Bank is one of the principal, wholly-owned subsidiaries of JPMorgan Chase. The ordinary shares of JPMorgan Chase are listed on the New York, London and Tokyo Stock Exchanges and form part of the Dow Jones Industrial Average index of the New York Stock Exchange.

The business activities of JPMorgan Chase Bank are, for management reporting purposes, organised and integrated with the businesses of JPMorgan Chase and its affiliates into six business segments as well as Corporate, of which the wholesale businesses are comprised of the Investment Bank, Commercial Banking, Treasury & Securities Services and Asset & Wealth Management and the consumer businesses are comprised of Retail Financial Services and Card Services.

JPMIAL and J.P. Morgan Australia Limited are indirectly wholly owned subsidiaries of the JPMorgan Chase Bank.

JPMorgan Chase Bank and its affiliates will be providing the financial products for JPMIAL to hedge its exposure under EM+.

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### **9.3. J.P. Morgan Australia Limited**

J.P. Morgan Australia Limited is guaranteed by, and indirectly a wholly owned subsidiary of, the JPMorgan Chase Bank. The principal activities of J.P. Morgan Australia Limited are the marketing of JPMorgan financial products, the trading and distribution of derivative products, and corporate Advisory services, mergers and acquisitions Advisory, and capital market transaction origination.

J.P. Morgan Australia Limited and holds an Australian financial services licence AFSL No. 238188.

J.P. Morgan Australia Limited has issued a guarantee over the Structured Product Programme of JPMIAL which includes the EM+ issued pursuant to this Offer.

### **9.4. J.P. Morgan Portfolio Services Limited**

J.P. Morgan Portfolio Services Limited is the Security Trustee of the Separate Trusts and holds the Underlying Parcel on trust for the Investor. It is a wholly owned subsidiary of JPMorgan Chase Bank and holds an Australian financial services license No. 238347. Its principal activities are to act as a security trustee and custodian.

## 10. Risk factors

There are a number of factors, both specific to EM+ and of a general nature, which may affect the future performance of EM+ and the outcome of an investment in EM+.

This section does not purport to be a comprehensive summary of all the risks associated with an investment in EM+ but describes the significant risks associated with an investment in EM+. Prior to making an investment decision, prospective Investors should carefully consider the following risk factors, as well as the other information either contained in this PDS or of which they are otherwise aware. A summary of these risks is presented below for your information.

Prior to investing in EM+ you should have regard to whether EM+ are a suitable investment for you, and whether it meets your individual investment objectives and circumstances. You should consider your financial targets, investment time frame, and what degree of risk you will accept in order to achieve your goals. All investments are subject to varying risks such as, inflation, interest rates, taxation legislation changes, government actions, currency fluctuation, international market volatility and others which are generic risks to Investors. It is important to consider these risks prior to investing in EM+.

### 10.1. General risks relating to an investment in EM+

#### Exposure to JPMIAL and JPMAL

There is a risk that JPMIAL will not meet its contractual obligations to you under EM+. The success of EM+ depends on the ability of JPMIAL to perform its obligations. This risk is mitigated because J.P. Morgan Australia Limited has issued a guarantee over the Structured Product Programme of JPMIAL which includes the EM+ issued pursuant to this Offer. The risk is not removed because there is a risk that J.P. Morgan Australia Limited may not meet its obligations under the guarantee.

#### Country risk

The Underlying Parcel, Equity Dynamic Portfolio and Coupon Dynamic Portfolio that will determine the economic performance of EM+ relates to markets outside Australia in countries with different legal systems. Changes in the regulatory, legislative, economic and political climate in those countries may adversely affect the performance of the Dynamic Portfolio.

#### Legal, tax and regulatory risks

Legal, tax and regulatory changes could occur during the term of EM+, which may adversely affect EM+. A general taxation summary is included at section 12. However, Investors should seek independent tax advice before making an investment in EM+.

### 10.2. Specific risks relating to an investment in EM+

#### Volatility and Interest Rate Risk

The performance of EM+ is dependent upon the Dynamic Portfolio Value. Increased volatility of the Equity Asset and Coupon Asset will, generally, adversely impact upon the performance of the each of the Dynamic Portfolios and the value of EM+.

Should the Equity Asset perform poorly or become particularly volatile or should Australian dollar swap rates fall significantly, there is a risk that the Equity Dynamic Portfolio may become 100% allocated to the Cash Asset. This means that the Equity Dynamic Portfolio may become wholly allocated to the Cash Asset for the remainder of the Term and EM+ will only return your

Principal at Expiry. JPMIAL have reduced this risk by assigning a minimum exposure of 20% to the Equity Asset. This means that regardless of the performance of the Equity Asset, the Dynamic Portfolio will have a minimum exposure of 20% to the Equity Asset while still returning your Principal at Expiry.

Should the Coupon Asset perform poorly or become particularly volatile or should Australian dollar swap rates fall significantly, there is a risk that the Coupon Dynamic Portfolio may become 100% allocated to the Cash Asset. This means that the Coupon Dynamic Portfolio may become wholly allocated to the Cash Asset for the remainder of the Term and no further coupons will be paid over the term. JPMIAL have reduced this risk by assigning a minimum exposure of 20% to the Coupon Asset. This means that regardless of the performance of the Coupon Asset, the Dynamic Portfolio will have a minimum exposure of 20% to the Coupon Asset.

### **10.2.1. Leverage risk**

Gains and losses on the Equity Asset and Coupon Asset are magnified when the Target Coupon Asset Exposure or Target Equity Asset Exposure is greater than 100%. Under the respective Dynamic Portfolio Rules the Maximum Coupon Asset Exposure and Maximum Equity Asset Exposure is 200%

### **10.2.2. Portfolio risk**

Exposure to the Dynamic Portfolio carries with it a degree of risk including, but not limited to, the risks referred to below. The Dynamic Portfolio Value may go down as well as up. Negative performance during one year will offset positive performances of other years. Prospective Investors may receive an amount less than the Principal if (i) Investors sell EM+ prior to Expiry; or (ii) JPMIAL defaults in respect of its obligations; or (iii) an event occurs which results in the Early Expiry of the EM+.

The Equity Dynamic Portfolio is exposed to emerging market equities. Emerging market equities tend to be more volatile than developed market equities and more volatile than most other asset classes. Investors should be aware of risks associated with emerging market equities before investing in EM+.

The Coupon Dynamic Portfolio is exposed to two diversified algorithmic strategies across a number of asset classes. Even though this diversification is intended to reduce risk, it is possible for all asset classes to have negative returns.

### **10.2.3. Early sale risk**

Investors should consider that EM+ are a buy and hold investment for the five year Term. JPMIAL is a participant in global markets and will from time to time purchase financial products on its own account including derivatives and securities. JPMIAL will from time to time purchase securities including EM+ from Investors. At the date of this PDS, JPMIAL intends to provide valuations and accept offers to sell EM+ on a monthly basis. If you sell your EM+ prior to Expiry, your Principal will not be protected.

Prior to the Expiry Date (expected to be 24 April 2013) the value of EM+ will be affected by the Equity Dynamic Portfolio Value, the Coupon Dynamic Portfolio Value, the creditworthiness of JPMIAL, interest rates, volatility, and the time remaining to the Expiry Date. As a result, there can be no assurance that a selling Investor will receive a price equal to or in excess of 100% of their Principal.

**10.2.4. Factors affecting the Dynamic Portfolio**

An Investor in EM+ should be familiar with the global securities markets generally and in particular emerging market economies. Investors should understand that global and regional economic, legal, financial and political developments might have a material effect on the performance of EM+.

**10.2.5. Five year term**

EM+ have a five year Term and the 100% Principal protection applies only at the end of the Term and subject to JPMIAL not declaring an Early Expiry of EM+ (see below "Early Expiry Date"). Where an Investor sells their EM+ prior to the end of the Term, there is no Principal protection in connection with such a sale and Investors may suffer a loss on their investment. Where JPMIAL declares an Early Expiry of EM+, Investors may receive less than 100% of the Principal.

**10.2.6. Australian Resident Investors**

EM+ are intended for only Australian resident Investors. Investors are required to warrant at the time of Application that they qualify for the benefit of Article 10(2) of the double tax agreement between Australia and the United States as a resident of Australia (as defined in the double tax agreement) and will be operating from Australia for the purposes of this investment.

If your circumstances change and you no longer meet the requirements above, you are required to notify JPMIAL at least 10 Business Days prior to this occurring. Upon notifying JPMIAL of such a change, you will be deemed to have requested an Early Sale of your entire holding of EM+. You should note that no Principal protection applies on an Early Sale of the EM+.

**10.2.7. Market risk of the Underlying Parcel after Expiry Date**

At the Expiry Date, Investors who receive the Underlying Parcel will be subject to the market risk of the Underlying Parcel. This means that the Underlying Parcel could fall in value between the Expiry Date or the Early Expiry Date and the date after which Investors may dispose of the Underlying Parcel and in such circumstances Investors could receive less than 100% of the Principal or less than the value of the Underlying Parcel as at the Expiry Date or the Early Expiry Date. Investors are responsible for all brokerage and other costs on any subsequent disposal of the Underlying Parcel.

**10.2.8. Conflicts of interest**

JPMIAL, J.P. Morgan Australia Limited, JPMorgan Chase Bank or related parties may buy and sell instruments or securities which constitute the Equity Asset and Coupon Asset or other financial products which are related to such instruments or securities and be paid commissions in respect of such financial products. Such dealings may affect the value of the financial products that constitute the Equity Dynamic Portfolio, Coupon Dynamic Portfolio, the Option, the Swap or the EM+.

**10.2.9. Unsecured obligations**

EM+ are unsecured contractual obligations of JPMIAL. After offering EM+, JPMIAL may place funds on deposit with JPMorgan Chase Bank and/or one of its affiliates and/or enter into derivatives transactions with JPMorgan Chase Bank and/or one of its affiliates. In consideration for providing the guarantee in favour of JPMIAL, J.P. Morgan Australia Limited has taken a charge over any deposits or proceeds of any derivatives relating to EM+. The deposits and/or derivatives represent an unsecured contractual obligation of JPMorgan Chase Bank and will rank equally with all other unsecured contractual obligations of JPMorgan Chase Bank and behind

preferred liabilities. Should any unforeseen and unprovided for expenses or liabilities arise that cannot be met out of such deposits, proceeds of any derivatives or the J.P. Morgan Australia Limited guarantee, then JPMIAL may be unable to meet such expenses or liabilities, leading to a default under EM+.

#### **10.2.10. Adjustment Events**

If, as a result of an Adjustment Event (as described in the Glossary of this PDS), JPMIAL makes an adjustment to the EM+ (including by varying, amending or substituting a component of a Dynamic Portfolio or any other variable, formula, calculation, amount or term), that adjustment may result in a variation to the terms of the EM+ or in Investors receiving a different Equity Dynamic Portfolio Value or Coupon Amount than Investors would have received had the Adjustment Event not occurred. This may be the case even though the adjustment was made in order to put both JPMIAL and the Investor in the same economic position as they would have been had the Adjustment Event not occurred.

The occurrence of an Adjustment Event does not affect the 100% Principal protection on the Expiry Date, unless the Adjustment Event is nominated as an Extraordinary Event and JPMIAL notifies that an Early Expiry has occurred.

#### **10.2.11. Early Expiry Date**

The occurrence of an Extraordinary Event gives JPMIAL the right to declare an Early Expiry of EM+. JPMIAL will send the Investor an Early Expiry Notice. If an Extraordinary Event occurs, EM+ will terminate before the Expiry Date and Investors will be entitled to receive the Early Expiry Value for their EM+ as a cash payment.

Because the 100% Principal protection applies only on the Expiry Date, and not on Early Expiry, the Early Expiry Value may be less than 100% of the Principal of EM+. An Extraordinary Event may also be as a result of a change to taxation laws which has a material financial impact on the EM+ or the compulsory acquisition, delisting or suspension of the Equity Asset or other corporate action in respect of the Equity Asset as described in the Terms. JPMIAL's discretion to declare an Early Expiry following an Extraordinary Event is unfettered and absolute.

The amount an Investor will receive for the termination of its terminated EM+ will equal the Early Expiry Value for EM+. Investors may also owe money to JPMIAL as a result of Early Expiry in which case they will receive no payment. If what they owe is greater than the value of the EM+, Investors will not need to make any further payments.

You should note that if EM+ are terminated prior to the Expiry Date an Investor may receive less than 100% of the Principal because the 100% Principal protection only applies at Expiry, and in fact Geared EM+ Investors may receive nothing.

## 11. Fees and other costs

This table shows fees and other costs that may be charged in relation to EM+. Information about the taxation consequences of EM+ is set out in Section 12 of this document. You should read all of the information about fees and charges, as it is important to understand their impact on your investment in EM+.

Type of fee or cost	Amount	How and when payable
<b>Fees when your money moves in or out of EM+</b>		
Application fee	Nil	Nil
<b>Adviser Fee</b>		
A placement fee paid to your Financial Adviser	A one off Adviser Fee of up to 3.3% (including GST) of the Application Amount, paid to your Financial Adviser.	Indirectly payable to JPMIAL by notionally deducting 3% from the Equity Dynamic Portfolio Value on the Issue Date and then paid by JPMIAL plus GST out of its own funds to Financial Advisers.
<b>Distributor fee</b>		
A fee paid to distributors	Up to 1.1% (including GST) of the Application Amount.	Payable by JPMIAL and not paid for directly by Investors.
<b>Withdrawal fee</b>		
This is the fee should you wish to sell back your EM+ to JPMIAL prior to Expiry	Sale price will be subject to market conditions and costs on any related hedges including the mark to market on the fixed rate Loan on Geared EM+.	Any break fees will be incorporated into the sale price.
<b>Additional service fees</b>		
Ongoing Fees	For the Equity Dynamic Portfolio: An Annual Asset Fee of 1.80% per annum of the higher of the allocation to Equity Asset in the Dynamic Portfolio, and the Equity Dynamic Portfolio Value. The Annual Asset Fee will be calculated and notionally deducted from the Dynamic Portfolio Value on each day of the Term; and For the Coupon Dynamic Portfolio: An Annual Coupon Asset Fee of 1.40% per annum of the higher of the allocation to the Coupon Asset in the Dynamic Portfolio, and the Coupon Dynamic Portfolio Value. The Annual Coupon Asset Fee will be calculated and notionally deducted from the Dynamic Portfolio Value on each day of the Term.	Indirectly payable to JPMIAL by being calculated and notionally deducted from, the relevant Dynamic Portfolio Value on each day of the Term.

Type of fee or cost	Amount	How and when payable
Transfer Fee	JPMIAL reserves the right to charge a fee to Transfer the EM+. As at the date of this PDS the Transfer Fee is nil.	
Borrowing Fee	JPMIAL reserves the right to charge a borrowing fee for making the Loan available to Loan Applicants. As at the date of this PDS the Borrowing Fee is nil.	

No distributor or adviser is acting as agent of JPMIAL in relation to the Offer.

### Worked example of fees

#### Adviser Fee

If an Investor wishes to apply for \$20,000 of EM+ an Adviser Fee of 3% is indirectly payable to JPMIAL by being notionally deducted from the Dynamic Portfolio Value on the Issue Date. This reduces the Dynamic Portfolio Value to \$19,400 (ie \$20,000 less \$600). JPMIAL then pays the 3% Adviser Fee plus GST to Financial Advisers out of its own funds.

For that Investor, the Principal will be \$20,000 and the 100% Principal protection will be \$20,000. The notional deduction of the Adviser Fee does not impact on the 100% Principal protection of \$20,000 for the Investor. This means that at the Expiry Date the Expiry Amount will be no less than \$20,000. Also, the performance of the Dynamic Portfolio is measured against the Notional Dynamic Portfolio Value of \$20,000 on the Issue Date.

Principal protection does not apply where JPMIAL declares Early Expiry of EM+ (See section 10.2 Risk factors).

#### Ongoing Fees

Assume over the Term, that the average notional exposure to the Equity Asset was \$18,000 but the Equity Dynamic Portfolio Value was on average \$22,000 over the Term. In these circumstances the Annual Equity Asset Fee will be 1.8% of the Equity Dynamic Portfolio Value of \$22,000 being A\$396 per annum.

Assume on average over the Term, that the average notional exposure to the Coupon Asset was \$25,000 but the average Coupon Dynamic Portfolio Value was \$22,000. In these circumstances the Coupon Asset Fee will be 1.4% of the notional exposure to the Coupon Asset \$25,000 being \$350 per annum.

## 12. Tax

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Toronto  
Valencia  
Washington, DC

12 February 2008

The Directors  
JPMorgan Investments Australia Limited  
Level 32 Grosvenor Place  
225 George Street  
Sydney NSW 2000  
Australia

Dear Directors,

**Tax Opinion**

We refer to the EM+ PDS dated on or about 12 February 2008. Capitalised undefined terms in this opinion have the same meaning as in the PDS.

This letter is a summary of the Australian income tax, GST and stamp duty implications for a Investor who invests in an EM+ pursuant to the PDS.

Our opinion is based on the law as at 11 February 2008. We have not discussed the consequences of this transaction in any other jurisdictions. This opinion is provided solely for the benefit of JPMorgan Investments Australia Limited (*JPMIAL*) and is necessarily general in nature and does not take into account the specific taxation circumstances of each individual investor. Parties must seek their own independent tax and general legal advice on this transaction before making any decision to invest in an EM+. Investors must not rely on this opinion. Investors should be aware that the ultimate interpretation of taxation law rests with the Courts and that the law, and the way the Commissioner of Taxation (*Commissioner*) administers the law, may change at any time.

This opinion does not discuss requirements of the *Superannuation Industry (Supervision) Act 1993* ("**SIS Act**") or the *Superannuation Industry (Supervision) Regulations 1994* ("**Regs**"). We assume an investor that is a superannuation fund trustee does not breach the SIS or Regs by investing in this product (in particular the in-house asset, charging and borrowing restrictions).

Baker & McKenzie is not involved in the marketing of this transaction and its role should not be interpreted to mean that it encourages any party to invest.

**1. Facts & Assumptions**

In addition to the PDS we assume that:

- (a) an Investor in an EM+:
  - (i) is an Australian resident for Australian income tax purposes operating from Australia for the purpose of this transaction;

- (ii) is an individual, company or a trustee of a complying superannuation fund as defined by section 45 of SIS Act (but see our comments above regarding the SIS Act and Regs); and
  - (iii) holds the investment on capital account (and in this regard see section 295-85 of the *Income Tax Assessment Act 1997 (1997 Act)* in the context of a complying superannuation fund). This letter is not relevant for an Investor that holds the investment on revenue account or is engaged in a business of trading or investment of securities;
- (b) for each year of income, the interest expenditure on the amount borrowed *plus* any amount paid for, in substance, capital protection of the investment in the EM+ (included in the Swap Differential or otherwise) is less than the total interest that would have been incurred on the amount borrowed if the interest rate had been the RBA Indicator Rate for Personal Unsecured Loans – Variable Rate (as at the start of the period the interest rate is fixed or, if the interest rate is at any time variable, the average of the rates during the variable interest rate period);
  - (c) EEM is a "regulated investment company" for the purposes of section 513 of the *Income Tax Assessment Act 1936 (1936 Act)*;
  - (d) EEM is a company incorporated outside of Australia, is a non-resident for Australian income tax purposes, and does not have an Australian register kept in any Australian State or Territory;
  - (e) EEM is a company listed on a stock exchange recognised by World Federation of Exchanges and its shares are quoted on such relevant stock exchange at all times. IEM is a Chess Depository Instrument listed on the Australian Securities Exchange whose trust property consists of EEM shares;
  - (f) neither the Investor, Security Trustee, JPMIAL, nor any associate of either will hold or have the right to acquire at any time 10% or more of the rights to voting, income or capital at the time of winding up or otherwise of EEM or any associate of EEM;
  - (g) the Security Trustee disposes the EEM shares under a 5 year securities lending arrangement (*SLA*) immediately after their acquisition at market value;
  - (h) no foreign tax is payable on any relevant aspect of an investment in the EM+;
  - (i) the Investor and JPMorgan are, at all times, in relation to the EM+, dealing with one another at arm's length;
  - (j) no Market Disruption Event, Adjustment Event, buy back or transfer of the EM+ takes place;
  - (k) the market value of the Put Option and Call Option is nominal;

- (l) the EM+ is not offered to Investors in respect of, or for or in relation directly or indirectly to, any employment or services rendered to JPMIAL or an entity associated with JPMIAL;
- (m) Investors are not related to, or associates of, JPMIAL or any other member of the JPMIAL consolidated income tax group; and
- (n) the Swap Agreement, Put Option Agreement, Call Option Agreement, Security Trust Deed and where applicable the Loan Agreement will be negotiated, drafted, executed and completed by JPMIAL in Australia. The EM+ will be entered into by Investors in Australia.

## 2. Security Trust

- 2.1 The net taxable income of a Security Trust should be included in the assessable income of the relevant Investor on 30 June each year.
- 2.2 This net taxable income amount should typically consist (solely) of the dividend equivalence payments (or other income amounts) received under the SLA during the year. Investors should be presently entitled to the net income of the trust each year and this amount should not be assessable in the hands of the trustee (but should be included in the assessable income of the Investor (see below)).

### *Disposal of EEM shares under the SLA*

- 2.3 The disposal of the EEM shares under the SLA should be a taxable CGT event for the Security Trustee. However, as the shares have been purchased immediately before entering into the SLA, and therefore the purchase price and consideration on disposal is expected to be the same, this CGT event should not crystallise a capital gain.

### *Re-acquisition of shares under the SLA*

- 2.4 On maturity of the SLA, the Security Trustee re-acquires the EEM shares. It is possible that at the expiry of the SLA the EEM shares may have appreciated in value since the SLA was entered into such that, at the time of completion, the value of the EEM shares acquired may exceed the re-acquisition price/cost base. There is technically a risk that the SLA is a deferred purchase agreement and that the completion of the agreement is in itself a taxable CGT event C2 for the Security Trust, and therefore Investor – crystallising an assessable capital gain equal to the market value of the EEM shares (at that time) less their re-acquisition price: see generally *FCT v Orica Ltd* (1998) 39 ATR 66. We understand that the Commissioner is currently looking at this issue in the context of financial products referred to as deferred purchase agreements and is expected to provide his view in the near future, according to the Australian Taxation Office's Public Rulings Program. In light of the nature and terms of the SLA, and in particular the fact that Dividend Equivalence Payments are made annually, we consider it unlikely that the SLA would be characterised as a deferred purchase agreement.
- 2.5 For CGT purposes, we consider that the first element of the Security Trustee's cost base in the EEM shares acquired on maturity of the SLA will be the original

market value of the shares at the time they were transferred on execution of the SLA. There should be no market value substitution of cost base as the parties are dealing with each other at arm's length in connection with the re-acquisition.

***Transfer of shares to Investor on termination of the Security Trust***

- 2.6 The transfer by the Security Trustee of legal title in the EEM shares to the Investor on termination of the Security Trust should not trigger a CGT event. Concessions are provided in the CGT provisions regarding the provision and redemption of securities. We consider the Security Trust structure should fall within the scope of these concessions. In particular, the transfer of the EEM shares from the Security Trustee to the Investor on repayment of the Loan should be characterised as a "transfer to ... redeem a security" and should not be a taxable event for CGT purposes: see section 104-10(7) of the 1997 Act.

**3. Investor – Income from Security Trust**

Investors are presently entitled to the income of the Security Trust. As such, the receipt of such payments by the Security Trust should be included in the Investor's assessable income in the same income year on 30 June each year.

**4. Investor – Put and Call Options**

***Put Option/Call Option exercised***

- 4.1 The disposal of the EEM shares on exercise of the Call or Put Option is a CGT Event A1. The CGT event occurs at the time either option is exercised.
- 4.2 The Investor will make a capital gain/loss to the extent that the capital proceeds on disposal (which will include the exercise price under the option) exceeds the cost base/reduced cost base of the EEM shares.
- 4.3 For CGT purposes, the Investor is deemed to have acquired the EEM shares on the date of entry into the SLA. The cost base (or reduced cost base) of the EEM shares in the hands of the Investor should include the original market value of the EEM shares acquired on execution of the SLA, any incidental costs of acquisition and disposal, which can include costs such as professional advisory fees, brokerage fees and stamp duty on transfer (if any).
- 4.4 An Investor who is an individual or a complying superannuation fund should be entitled to a 50% or 33 $\frac{1}{3}$ % discount respectively on the capital gain made on the disposal of the EEM shares on exercise of an option on the Expiry Date (having held them for a minimum of 5 years), subject to the Investor first applying any prior year or current year capital losses against the full capital gain.

***Put Option/Call Option expire***

- 4.5 The expiry of an option is a CGT Event C2. However, as the cost base and market value of these options is nominal, there should be no material consequences in the event one or both of the options lapse.
- 4.6 In the event the options are not exercised, and the EEM shares are disposed of by the Investor at a future point in time, any gain on sale will be an assessable

capital gain, calculated by reference to the consideration on disposal less the cost base of the shares at that time.

## 5. Investor – Swap

### *Coupons and Dividend Equivalence Payments*

- 5.1 The Coupon payments should be characterised as ordinary income and should be included in the Investor's assessable income on an accruals basis: see generally IT2682.
- 5.2 The Dividend Equivalence Payments should be deductible on payment.

### *Swap Differential*

- 5.3 Where the Investor is required to pay out the Swap Differential, that amount should not be deductible as a general deduction under section 8-1 of the 1997 Act. The preferred view is that it is a capital outgoing.
- 5.4 We consider that this amount should be included in the cost base of the Swap as the acquisition cost of the Swap itself, which is a CGT asset. However, it must be noted that the approach taken by the Commissioner in Draft Ruling TR 2007/D10, in its current form, creates some uncertainty on this point. Whilst the Draft Ruling deals with circumstances which are very different to those of EM+, the approach taken in the Draft Ruling suggests that the market value of the Swap Differential (rather than the amount itself), as at the date of entering into the Swap (rather than at the time of Maturity and actual payment), forms part of the acquisition cost of the Swap. This outcome is a marked divergence from the Commissioner's previous view in the now withdrawn Taxation Ruling TR 93/15, which in our opinion accorded with our preferred view. Our preferred view, and that contained in the withdrawn Taxation Ruling TR 93/15, is based on a number of decided cases: see *Commissioner of Taxes (Q) v. Camphin* (1937) 57 CLR 127; *Ord Forrest Pty Ltd v. FC of T* 74 ATC 4034; *Allina Pty Ltd v. FC of T* 91 ATC 4195. Investors should therefore monitor any developments with respect to the Draft Ruling and review the release of a final version (if any).
- 5.5 An alternative argument (which for most taxpayers will effectively provide the same outcome) is that the Swap Differential Amount is paid to protect the investor's title in the EEM shares (i.e. if the payment is not made, the investor will not be entitled to the shares), and on this basis forms part of the cost base of those securities under section 110-25(6) of the 1997 Act.
- 5.6 Where the Investor is to receive the Swap Differential, such receipt is with respect to the termination of the Swap asset thus triggering a CGT event C2 and a capital gain equal to the Swap Differential itself. An Investor who is an individual or a complying superannuation fund should be entitled to a 50% or 33 $\frac{1}{3}$ % discount respectively on the capital gain made on the termination of the Swap (having held it for a minimum of 5 years), subject to the Investor first applying any prior year or current year capital losses against the full capital gain.

## 6. Investor – Loan interest

- 6.1 Section 8-1(1) of the 1997 Act provides that interest incurred on monies borrowed will be deductible to the extent that they are used in producing assessable income or in carrying on business for that purpose, except to the extent to which it is a loss or outgoing of capital, or of a capital, private or domestic nature or was incurred in earning non-assessable non-exempt income or exempt income.
- 6.2 There are various exemptions to this rule. Those relevant to this investment are set out below. With these qualifications made, we consider that the interest on a Loan should be deductible under section 8-1 over the period to which it relates on a straight-line accruals basis. Prepaid interest that is less than \$1,000 will be deductible upfront.

### *Negative gearing*

- 6.3 Investors should review the terms of the borrowing (if any) together with the EM+ to ensure that it is reasonably likely that (in aggregate) the expected assessable income (other than capital gains) from their investments will exceed the interest expense. If this is the case, the interest expense should be deductible.
- 6.4 If the aggregate deductible expenditure exceeds the assessable income derived (excluding capital gains), the Commissioner may focus on the Investor's purpose for undertaking the investment. If the deficit can only be explained by reference to factors such as the reduction of tax or the making of capital gains, the excess expense may not be deductible.

### *Capital protected borrowings*

- 6.5 Division 247 of Part 3-10 of the 1997 Act was enacted for the purpose of treating part of the expense paid in relation to specified capital protected borrowings as attributable to the cost of the capital protection feature, deeming this cost to be non-deductible and included in the cost base of a relevant notional asset.
- 6.6 The Loans are capital protected borrowings as defined by Division 247. However, we are instructed that:
- (a) the aggregate of the interest on the amount borrowed *plus* amounts paid for capital protection;
  - (b) **will not exceed** the total interest that would have been incurred for the year if the interest rate on the amount borrowed had been the Reserve Bank of Australia's Indicator rate for Personal Unsecured Loans – Variable Rate (as determined when the interest rate is fixed – or, if the interest rate is variable, the average of the rates during the variable interest rate period).
- 6.7 If (a) exceeds (b), the excessive amount would not be deductible (but is instead capitalised into the cost base of a notional asset).

- 6.8 We are instructed that the aggregate of the interest and any capital protected cost (in any year) is expected to be less than the Reserve Bank of Australia's Indicator Rate benchmark. As such, these capital protected borrowing provisions in Division 247 should not have any practical application to this investment.

***Section 51AAA***

- 6.9 For completeness we note that as an Investor may earn a capital gain from its investment, it is necessary to consider the impact of section 51AAA of the 1936 Act. This provision denies deductions for amounts incurred solely for the purpose of earning a capital gain. However, if one of the main purposes of the investment is to earn income from the EM+ (and not merely capital gains), section 51AAA should have no application.

**7. Investor – Refunded Interest**

Any interest amount that is refunded by JPMIAL to an Investor should be characterised as ordinary income and be included in the Investor's assessable income in the same income year as receipt.

**8. Investor – Fees**

***Break Costs***

- 8.1 If either party terminates the EM+ by notice, the Investor may be required to pay JPMIAL or the Security Trustee's Break Costs (if any). Break Costs may be deductible under section 8-1 of the 1997 Act. This would be the case if the Break Costs were incurred to prevent the Investor from having to incur recurring interest expenses under the Loan Agreement in the future: *FCT v Marbray Nominees Pty Ltd* (1985) 17 ATR 93, and *Metals Exploration Ltd v FCT* (1986) 17 ATR 786. In most other circumstances, these Break Costs will not be deductible.
- 8.2 Investors should seek their own independent taxation advice with respect to the deductibility of these Break Costs.

***Borrowing Fees***

- 8.3 Under the Loan Agreement, JPMIAL may charge borrowing fees to an Investor in relation to costs incurred by JPMIAL in connection with entry and administration of the Loan Agreement. Each borrowing fee is deductible under section 25-25 of the 1997 Act because it is incurred to obtain and/or maintain the Loan where the proceeds of the Loan are applied for the purpose of producing assessable income.
- 8.4 If a borrowing fee is \$100 or less, the borrowing fee will be full deductible in the income year when it is incurred. If a borrowing fee is more than \$100, the deduction for the borrowing fee will be spread on a straight line basis over the shorter of:
- (a) the remaining term of the Loan; and
  - (b) 5 years.

## **9. Income Attribution Regimes**

### ***Foreign Investment Fund (FIF) Rules***

- 9.1 The EEM shares held by the Security Trustee will be "an interest in a FIF" for the purpose of Part XI of the 1936 Act. Broadly, the FIF rules are anti-avoidance rules designed to tax on an accruals basis interests held by an Australian resident in certain types of foreign companies and trusts.
- 9.2 Having assumed at subparagraph 1.1(c) that EEM is a regulated investment company, Investor should be exempt from the FIF rules. Thus there should be no attribution of income under the FIF regime.

### ***Controlled Foreign Company (CFC) Rules***

- 9.3 The CFC rules are designed to ensure that a taxpayer can not accumulate certain types of income offshore in a CFC so as to avoid paying tax in Australia. However, due to the assumption made at subparagraph 1.1(f), no Investor should have a sufficient interest to be characterised as what is known as an "attributable taxpayer". Consequently, no income should be attributed to Investor under the CFC rules due to the interest held by the Security Trustee in the EEM shares.

## **10. Investor – Debt Forgiveness**

Although the Loan is limited recourse in nature, there should be no shortfall between the value of the EEM shares and the Swap and the amount outstanding under the loan. Accordingly, it is not expected that there will be any amount forgiven.

## **11. General Anti-Avoidance: Part IVA of the 1936 Act**

- 11.1 The general anti-avoidance provisions contained in Part IVA of the 1936 Act can only apply to disallow a tax deduction in circumstances where either the Investor or another person entered into or carried out the scheme or any part of the scheme for the sole or dominant purpose of enabling the Investor to obtain a tax benefit. As a discrete investment, we do not consider that the EM+ falls within the scope of any of these anti-avoidance provisions. However, as this will depend on the particular circumstances of each individual Investor, Investors should seek their own independent taxation advice.
- 11.2 Where it can be demonstrated that no person entered into the scheme for the sole or dominant purpose of enabling the Investor to obtain a tax benefit, Part IVA will not operate to deny tax deductions claimed by the Investor in relation to the Investor's investment.

## **12. Tax File Number Withholding**

Australian resident taxpayers are not under any obligation to quote a Tax File Number (*TFN*) or an Australian Business Number (*ABN*) in order to invest in the EM+. However, if an Investor does not quote either its TFN or ABN in the Application Form, an amount of tax, at the rate of 46.5%, may be withheld in respect of amounts of income which are payable by the Security Trustee or by JPMIAL.

**13. Goods and Services Tax (GST)**

- 13.1 None of the Investors, JPMIAL or Security Trustee should have a liability to account for GST in Australia. This is on the basis that the supplies outlined above, including "acquisition-supplies", are financial supplies and therefore are either input taxed supplies, or, where the exported service provisions are satisfied, GST-free supplies.
- 13.2 Where either the Investor, JPMIAL or Security Trustee makes a supply of an input taxed financial supply, including an acquisition-supply, it may be restricted in claiming input tax credits for any GST that it has incurred on costs related to the acquisition or supply of the financial interest. As a result, it may also be restricted in claiming input tax credits for a proportion of the GST incurred on costs relating generally to its enterprise.

**14. Stamp Duty**

- 14.1 Subject to the assumptions set out above, no liability for duty will arise on issue of the EM+. No liability for Australian stamp duty will arise on exercise of the Call or Put options on the Expiry Date.
- 14.2 Where a security trust deed is entered into by the Security Trustee for the benefit of the Investor in relation to the shares in EEM, nominal duty may be payable on security trust deed depending on where the relevant security trust deed is executed.

\* \* \* \* \*

Yours sincerely,



John Walker  
Partner  
+61 2 8922 5206  
john.walker@bakernet.com

## 13. Other information

### 13.1. Application Money and interest

Money received from an Applicant will, until EM+ are issued, be held in a trust account. Applicants will not be entitled to any interest earned in the trust account. If an Investor is allotted less than the number of EM+ they apply for, the Investor will receive a refund cheque for the amount not applied towards the issue of EM+ (without interest), as soon as practicable after the Closing Date.

JPMIAL reserves the right to cancel the Offer at any time before the "Offer closes" date listed on page 1, in which case all Application Amounts will be refunded without interest. No cooling off rights apply to the EM+.

### 13.2. Investor enquiries

This document is important and should be read in its entirety. If you are in doubt as to the course you should follow, you should consult your financial adviser, solicitor, accountant or other professional adviser.

Information is also available on our website [www.jporgansp.com.au](http://www.jporgansp.com.au) or by contacting us on 1800 157 620.

### 13.3. Consents

Baker & McKenzie has given, and has not, before the date of this PDS, withdrawn its written consent for the inclusion of the taxation summary in the form and context in which it appears in this PDS and to being named as Australian legal adviser to JPMIAL.

JPMorgan Chase Bank has given, and has not, before the date of this PDS, withdrawn its written consent to the inclusion of the information about it in the form and context in which it appears.

J.P. Morgan Australia Limited has given, and has not, before the date of this PDS, withdrawn its written consent to the inclusion of the information about it in the form and context in which it appears.

J.P. Morgan Portfolio Services Limited has given, and has not, before the date of this PDS, withdrawn its written consent to the inclusion of the information about it in the form and context in which it appears.

Registries Limited has given, and has not, before the date of this PDS, withdrawn its written consent to the inclusion of the information about it in the form and context in which it appears.

None of these parties have authorised or caused the issue of this PDS or made any statement that is included in this PDS or any statement on which a statement in this PDS is based, except as stated above. Other than where they are specifically referred to, each of these parties expressly disclaims and takes no responsibility for any statements in, or omissions from, this PDS.

This applies to the maximum extent permitted by law and does not apply to any matter and to the extent to which consent is given above.

### 13.4. Complaints

If an Investor is not completely satisfied with any aspect of our services regarding EM+, please contact us on (02) 9220 1633, or write to us at:

Compliance  
JPMorgan Investments Australia Limited  
Level 32, Grosvenor Place  
225 George Street  
Sydney NSW 2000

We will endeavour to acknowledge a complaint in writing within 5 Business Days. We will endeavour to provide a substantive response within 30 Business Days.

If an Investor is not satisfied that the complaint has been properly handled by JPMIAL, they may refer it to the Financial Industry Complaints Service (FICS) of which JPMIAL is a member. FICS is an external dispute resolution scheme that provides free advice and assistance to consumers to help resolve complaints relating to financial service providers. Subject to FICS rules, a claim must be less than AUD100,000 for FICS to consider it. FICS' address is PO Box 579, Collins St West, Melbourne, Victoria, 8007 and its telephone number is 1300 780 808. Information may also be obtained at <http://www.fics.asn.au>.

### 13.5. Financial Services Guide for J.P. Morgan Portfolio Services Limited

The financial services guide of J.P. Morgan Portfolio Services Limited contains information about the services provided by it acting as the Security Trustee for the EM+. It is available from [www.jpmorgansp.com.au](http://www.jpmorgansp.com.au). You should read and ensure you fully understand the financial services guide of J.P. Morgan Portfolio Services Limited before investing in the EM+. A paper copy of the financial services guide is available free on request by contacting JPMorgan on 1800 157 620.

### 13.6. Privacy

We collect personal information about Investors in order to process an Application, conduct research, administer an Investor's investment and to provide Investors with services related to their investment. To do that, we may disclose your personal information to our agents, contractors or third party service providers to whom we outsource services such as mailing functions, registry and accounting. If Investors do not provide us with their personal information we may not be able to process an Application.

We may use your personal information to tell you about other products and services offered by us. We may also disclose your personal information to your financial adviser. Please contact us on 1800 157 620 if you do not consent to us using or disclosing your personal information in these ways. It is important that you contact us because, by investing in EM+, you will be taken to have consented to these uses and disclosures. In most cases you can gain access to the personal information that we hold about you. We aim to ensure that the personal information we retain about you is accurate, complete and up-to-date. To assist us with this, please contact us if any of the details you have provided change. If you have concerns about the completeness or accuracy of the information we have about you, we will take steps to correct it.

### **13.7. Tax File Number (TFN) and Australian Business Number (ABN)**

It is not compulsory for an Investor to provide their TFN or ABN, and it is not an offence if an Investor declines to provide them. However, tax will be deducted from any income at the highest marginal rate if the Investor does not provide their TFN or ABN or fall within an applicable exemption. These numbers can be provided on the Application Form when making an initial investment.

### **13.8. Other tax forms**

The Investor must provide during the Term any tax forms (including U.S. tax forms) requested by JPMIAL that are required by JPMIAL to deliver the full amount of Delivery Assets determined in accordance with the Expiry Amount or Early Expiry Amount, without deduction on account of any tax. Failure to deliver the requested tax forms may result in the amount of Delivery Assets received by the Investor being reduced by the amount of any such deduction.

### **13.9. Ethical considerations**

JPMIAL does not, and will not, take into account labour standards, environmental, social or ethical considerations for the purpose of selecting, retaining or realising investments.

### **13.10. Anti-Money Laundering and Counter-Terrorism Financing Act 2006**

Enacted by the Australian Government in December 2006, the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 ("**AML/CTF Act**") regulates financial services and transactions in a way that is designed to detect and prevent money laundering and terrorism financing.

The AML/CTF Act is regulated by the Australian Transaction Reports and Analysis Centre (**AUSTRAC**).

Under the AML/CTF Act:

- JPMIAL is required to verify your identity before providing services to you, and to re-identify you if it considers it necessary to do so;
- where you supply documentation relating to the verification of your identity, JPMIAL must keep a record of this documentation for 7 years.

To ensure that it complies with its obligations under the law, JPMIAL will be implementing a number of measures and controls including carefully identifying, verifying the identity of and monitoring its investors.

#### **Consequences of compliance**

As a result of the implementation of our robust compliance program:

- transactions may be delayed, blocked, frozen or refused where JPMIAL has reasonable grounds to believe that the transaction breaches Australian law or sanctions or the law or sanctions of any other country;
- where transactions are delayed, blocked, frozen or refused JPMIAL is not liable for any loss you suffer (including consequential loss) as a result of its compliance with the AML/CTF Act as it applies to EM+; and

- JPMIAL may from time to time require additional information or personal details from you to assist JPMIAL in this process.

### **Reporting Obligations to AUSTRAC**

- JPMIAL has certain reporting obligations pursuant to the AML/CTF Act. As a result of the legislation's "tipping off" prohibition, the legislation prevents JPMIAL from informing you that any such reporting has taken place.
- Where legally obliged to do so, JPMIAL may disclose the information gathered to regulatory and/or law enforcement agencies, including AUSTRAC and to other bodies, if required by law.

### **Important Information: Completion of an Application Form**

**The Application Form, once completed by you, holds you to a number of representations and warranties, among other things, relating to matters which JPMIAL must seek confirmation of in order to comply with the provisions of the AML/CTF Act.**

**Your attention is drawn to the Application Form which states:**

**I/We agree to give further information or personal details if required by JPMIAL to meet its obligations under anti-money laundering, counter-terrorism and taxation legislation.**

**Note:** It may be a criminal offence to knowingly provide false or misleading information or documents when completing an Application for an Issue in EM+.

## 14. Terms and Loan Agreement

### Trust Deed

This is a copy of the deed between JPMIAL and the Security Trustee which is the same in all respects except for execution of the Deed, and each Investor agrees to be bound by the terms of this deed from time to time.

<b>Date</b>	<b>12 February 2008</b>
<b>Parties</b>	<b>JPMorgan Investments Australia Limited</b> (ABN 21 056 751 716) of Level 32 Grosvenor Place 225 George Street SYDNEY NSW 2000 ( <b>JPMIAL</b> )
	<b>J.P. Morgan Portfolio Services Limited</b> (ABN 38 064 567 040) of Level 32 Grosvenor Place 225 George Street SYDNEY NSW 2000 ( <b>Security Trustee</b> )
	Each <b>Investor</b> which agrees to be bound by the terms of this deed from time to time ( <b>Investor</b> )

### Recitals

A This deed sets out the terms on which the Security Trustee has agreed to act as trustee under the Separate Trusts.

### Operative provisions

#### 1 Definitions and Interpretations

##### 1.1 Definitions

Terms which are capitalised and not defined in this deed are defined in the glossary in Section 15 of the PDS.

##### 1.2 Interpretation

Unless the contrary intention appears, a reference in this deed to:

- (a) (variations or replacements) a document (including this deed) includes any variation or replacement of it;
- (b) (clauses, annexures and schedules) a clause, annexure or schedule is a reference to a clause in or annexure or schedule to this deed;
- (c) (reference to statutes) a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (d) (law) law means common law, principles of equity, and laws made by parliament (and laws made by parliament include State, Territory and Commonwealth laws and regulations and other instruments under them, and consolidations, amendments, re-enactments or replacements of any of them);
- (e) (singular includes plural) the singular includes the plural and vice versa;
- (f) (person) the word "person" includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated body or association, or any government agency;
- (g) (executors, administrators, successors) a particular person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (h) (two or more persons) an agreement, representation or warranty in favour of two or more persons is for the benefit of them jointly and each of them individually;
- (i) (jointly and severally) an agreement, representation or warranty by two or more persons binds them jointly and each of them individually except that the obligations of JPMIAL and the Security Trustee under this deed are several and not joint;

- (j) (dollars) Australian dollars, dollars, A\$ or \$ is a reference to the lawful currency of Australia;
- (k) (meaning not limited) the words “including”, “for example” or “such as” when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind;
- (l) (time of day) time is a reference to Sydney time;
- (m) (next Business Day) under this deed if an event must occur on a stipulated day which is not a Business Day then the stipulated day will be taken to be the next Business Day;
- (n) (headings) headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of this deed;
- (o) (inconsistent agreements) if a provision of this deed is inconsistent with a provision of any PDS, the provision of this deed prevails; and
- (p) (ASX Market Rules and ASTC Settlement Rules) while the Corporations Act, ASX Market Rules, ASTC Settlement Rules or a condition of any applicable ASIC or ASX relief on which JPMIAL has determined it wishes to rely or which is expressly applicable to the EM+ and JPMIAL requires that this deed contain certain provisions, then those provisions are deemed to be incorporated into this deed at all times at which they are so required to be included and prevail over any other provisions of this deed to the extent of any inconsistency.

### **1.3 Benefit and entitlement of Investors**

The Investor has the benefit of, and is entitled to enforce, this deed even though it is not a party to this deed or is not in existence at the time this deed is executed. Each person who becomes an Investor is bound by this deed.

## **2 Application procedure**

### **2.1 Application Form**

An Applicant must complete the Application Form attached to the PDS. The form may be transmitted electronically if approved by JPMIAL. By completing the Application Form the Applicant agrees to be bound by the Terms of the EM+.

### **2.2 JPMIAL may reject or accept lesser number**

JPMIAL may reject an Application in its absolute discretion or accept an Application for a lesser number of EM+ than the number applied for without giving any reason for the rejection. If JPMIAL rejects an Application it will return the application monies to the Applicant within 20 Business Days of the rejection without interest.

### **2.3 Terms of issue**

Subject to JPMIAL accepting an Application, a contract arises under which JPMIAL agrees to issue an EM+ to the Applicant.

### **2.4 Applicant obligations**

- (a) For each EM+ applied for or issued (as the case may be) in a Series:
  - (i) each Cash Applicant, must pay the Application Amount to JPMIAL in cleared funds; and
  - (ii) each Loan Applicant must pay the First Instalment to JPMIAL which together with the Initial Loan Amount out of the Loan will be deemed to be payment of the Application Amount.
- (b) JPMIAL may, in its absolute discretion, accept an application from a holder of the Underlying Securities for an EM+ on such terms and conditions as JPMIAL determines.

### **2.5**

Each Loan Applicant directs and authorises JPMIAL to pay the Initial Loan Amount as part of the Application Amount to the Security Trustee or to use the Initial Loan Amount as part of the Application Amount in accordance with clause 2.6(b)(i).

## **2.6 JPMIAL obligations**

If JPMIAL accepts an Application for EM+ it will, for each EM+ issued:

- (a) for Loan Applicants, make a Loan for the Loan Amount for the relevant Series to the Applicant under the Loan Agreement entered into by the Applicant for the relevant Series of EM+ and first apply the Loan to pay any Borrowing Fee;
- (b) for all Applicants:
  - (i) use all or part of the Application Amount to acquire and/or arrange for the Underlying Securities that will constitute the Underlying Parcel to be transferred to or held by the Security Trustee; and
  - (ii) provide a confirmation to the Applicant of the acceptance of the Application.

If JPMIAL is not able to satisfy the matters above or an Applicant has not satisfied the matters in clause 2.4 within a reasonable time, it may terminate the contract created under clause 2.3 by notice to the Applicant. If JPMIAL terminates the contract it will return the application monies to the Applicant within 20 Business Days of the termination without interest.

## **3 Separate Trusts**

### **3.1 Separate Trusts**

The Security Trustee undertakes to hold each Underlying Parcel (which includes Accretions) for an EM+ under a separate trust for the Investor as the sole beneficiary of the Separate Trust in accordance with this deed.

### **3.2 No disposal or transfer**

The Security Trustee undertakes to the Investor to only deal with the property of a Separate Trust in accordance with the provisions of this deed and in accordance with directions given to it by JPMIAL under this deed. No person may exercise control over the transfer or disposal of the Underlying Parcel of a Separate Trust other than in accordance with this deed or any law.

### **3.3 Beneficial Interest**

Subject to the Security Interest, each Investor is entitled as against the Security Trustee to the Underlying Parcel corresponding to each EM+ registered in the name of the Investor.

### **3.4 Present entitlement**

The Investor as the beneficiary of the Separate Trust is presently entitled to any income derived by the Security Trustee in respect of the Separate Trust. The income received by the Security Trustee must be paid to the Investor on the day received by the Security Trustee, or as soon as reasonably practicable thereafter.

### **3.5 Administration of Separate Trusts**

The Security Trustee must treat the property of each Separate Trust separately and must not pool the interests or property of the Separate Trusts, however, the Security Trustee may:

- (a) aggregate all Underlying Securities in respect of EM+ held by Investors and hold those Underlying Securities using the same HIN; and
- (b) hold all Underlying Securities or Underlying Parcels in one or more omnibus accounts provided that it ensures that the Underlying Securities are kept separate in its records.

### **3.6 Termination**

A Separate Trust will terminate on the Secured Monies being repaid and the Security Trustee delivering the Underlying Parcel to the Investor or at the direction of the Investor. The Security Trustee will be under no further obligation to the Investor in respect of the Underlying Parcel or Separate Trust after the termination of the Separate Trust.

## **4 Security Interest**

### **4.1 Security Interest**

The Security Trustee hereby separately mortgages to JPMIAL all assets which may, after the date of this deed, be transferred into or held in a Separate Trust for an EM+ to secure the due and punctual repayment of the Secured Monies.

## 4.2 Encumbrances

The Investor acknowledges that no Encumbrance except the Security Interest may be created, arise or continue to exist over an Underlying Parcel unless the Security Interest has been fully discharged in accordance with this deed.

## 4.3 Prospective liability

For the purposes of the Corporations Act only, the maximum prospective liability (as defined in the Corporations Act) secured by the Security Interest is A\$500 million but this clause does not limit the amount of liability at any time secured by or recoverable under the Security Interest. JPMIAL may from time to time lodge a notice under section 268(2) of the Corporations Act on behalf of the Security Trustee specifying an increase in the maximum prospective liability secured by the Security Interest, and the sum specified in this clause will be taken to be varied accordingly.

## 5 Confirmations

JPMIAL will ensure that it complies with the Corporations Act and regulations in relation to the issue of statements and confirmations about an Investor's EM+.

## 6 The Register

### 6.1 Creating the Register

JPMIAL must establish and maintain a Register of EM+.

### 6.2 Information to be included

The Register must contain the following information of each Investor:

- (a) the name and address of the Investor;
- (b) the number of EM+ issued to the Investor;
- (c) the date at which the Investor became an Investor; and
- (d) the date at which the Investor ceased to be an Investor.

### 6.3 Other information

JPMIAL or the Registrar may request additional information from the Investor to be recorded in the Register, which the Investor agrees not to unreasonably withhold.

### 6.4 Obligations on Investors

The Investor must notify the Registrar of any change of details of an Investor contained in the Register.

### 6.5 Evidence of ownership

The Investor acknowledges and agrees that the Register will be conclusive evidence of ownership of interests in the EM+.

### 6.6 Notice of trusts

JPMIAL, the Security Trustee and the Registrar are not required to take notice of any trust or equity or other interest (other than the Security Interest) affecting any EM+ or rights incidental to an EM+ unless required by law.

### 6.7 Joint Investors

Unless otherwise agreed in writing by JPMIAL, there can be no more than three joint Investors of an EM+ at any given time. A payment to any one of the joint Investors will discharge JPMIAL in respect of the payment.

## 7 Transfer

### 7.1 Fees

JPMIAL may charge a Transfer Fee for the registration of a Transfer of EM+ if specified in the PDS.

### 7.2 Method of Transfer

Investors may only Transfer EM+ with the prior consent of JPMIAL and provided that:

- (a) the Transferor and Transferee meet any requirements and provide any information set out in the Swap Agreement or otherwise required by JPMIAL;
- (b) a Loan Applicant may only transfer EM+ to another Loan Applicant;
- (c) a Cash Applicant may only transfer EM+ to another Cash Applicant; and
- (d) the holding of the EM+ of both the Transferor and Transferee following the Transfer meet the Minimum Investment requirement set out in the PDS.

### **7.3 Registration of Transfer**

A Transfer will take effect on the name of the Transferee being entered into the Register in respect of the Transferred EM+.

### **7.4 Process of Transfers**

The Transfer of an EM+ will be effected on the Transfer Date in the following manner:

- (a) if the Transferor is a Loan Applicant:
  - (i) if the Transferee and JPMIAL are not already parties to a Loan Agreement in respect of the relevant Series of EM+, JPMIAL irrevocably offers to enter into a Loan Agreement in the form set out in the last PDS prepared for that Series with the Transferee and the Transferee accepts that offer on taking such steps as are necessary by it to become the Investor;
  - (ii) the Loan will be made to the Transferee and applied in accordance with the Loan Agreement without any further action needing to be taken; and
  - (iii) the balance of the Transferor's Loan is repaid and any obligations arising from the Transferor's Loan are extinguished;
- (b) the Transferor's Beneficial Interest is Transferred to the Transferee; and
- (c) the Security Interest existing in the property of the Separate Trust representing the security over the property of the Separate Trust for JPMIAL remains in effect.

### **7.5 Directions to JPMIAL**

Where the Transferor is a Loan Applicant, the Transferor and Transferee direct and authorise JPMIAL to advance and apply the amounts under the Transferee's Loan to repay the Transferor's Loan in accordance with the Loan Agreement.

## **8 Closely-held trusts**

If an Investor holds an EM+ in their capacity as trustee of a trust estate, the Investor must:

- (a) immediately notify the Registrar (however, this does not limit clause 6.6); and
- (b) as and when required by JPMIAL or the Security Trustee, provide all information as may be required for the Security Trustee to make a "correct UB statement", or "correct TB statement", as the case may be, under section 102UG of the Tax Act.

Each Investor warrants to the Security Trustee that an EM+ is not held by the Investor in their capacity as trustee of a trust estate unless the Investor gives notice under this clause.

## **9 Voting**

### **9.1 Meetings of Underlying Entities**

An Investor has no right or entitlement to:

- (a) receive information or notices regarding meetings of the relevant Underlying Entity; or
- (b) attend, speak at or vote at those meetings in the capacity as Investor or direct the Security Trustee to attend, speak at or vote at such meetings.

The Investor acknowledges and agrees the Security Trustee shall not cast any vote in respect of Underlying Parcels at any meetings of members (or class of members) of the Underlying Entities and it will not direct the Security Trustee to cast such votes or attend such meetings.

## 9.2 Direction to Security Trustee

The Investor directs the Security Trustee to pay from the trust income to which it is entitled under the Separate Trust all amounts owed by the Investor to JPMIAL under the Swap Agreement.

## 9.3 Payment by Security Trustee

The Security Trustee must pay the amounts to JPMIAL in accordance with clause 9.2 on the same day on which the income on the Separate Trust is paid to the Security Trustee.

# 10 Early Expiry Date

## 10.1 Early Expiry Date

Where any of the following events occur, JPMIAL may, at its discretion, nominate the event as an Extraordinary Event and determine an Early Expiry Date for one or more Series of EM+:

- (a) a notice requiring compulsory acquisition of the Underlying Securities is issued;
- (b) where the Underlying Securities are delisted, withdrawn from quotation or suspended subject to a takeover offer, scheme of arrangement or quasi scheme of arrangement or merger in the nature of a scheme of arrangement or a buyback or withdrawal offer;
- (c) where a change to the Tax Act, stamp duties or other taxation or duty legislation or the enactment of new legislation imposing a Tax or duty which in the reasonable opinion of JPMIAL has a material financial impact over the issue, holding, cancellation or expiry of EM+ occurs or is anticipated or expected to occur;
- (d) an event nominated by JPMIAL or occurring pursuant to clause 11.2 or 11.4; or
- (e) a Market Disruption Event or Adjustment Event nominated by JPMIAL pursuant to the Swap Agreement; or
- (f) the Investor revokes a direction given under clause 8.2 or 8.3; or
- (g) a default under or termination of the securities lending agreement.

## 10.2 Impact of Expiry Date

If JPMIAL determines that an Early Expiry Date will apply under clause 10.1 then:

- (a) the revised Expiry Date will be the Expiry Date for all actions to be carried out under this deed and the Swap Agreement; and
- (b) JPMIAL will refund to the Investor a pro-rata proportion of any Interest Amount paid by the Investor in respect of the period between the original Expiry Date and the new Expiry Date less any relevant Costs determined by JPMIAL associated with the fixing of an Early Expiry Date.

## 10.3 Notice

Unless prevented by circumstances out of its control, JPMIAL must provide Investors with notice of an Expiry Date being revised under clause 10.2 within 10 Business Days of nominating the Extraordinary Event and notifying Investors of the Early Expiry Date.

## 10.4 Payment of Early Expiry Value

If an Early Expiry Date is nominated by JPMIAL, JPMIAL will in its absolute discretion determine the amount which will be paid to Investors on the Settlement Date following the Early Expiry Date for transfer of the Beneficial Interest. JPMIAL will determine the amount calculated by reference to the fair market value of the Beneficial Interest on the Early Expiry Date as determined by JPMIAL, less any applicable costs, Taxes and Break Costs (the "Separate Trust Early Expiry Value").

## 10.5

Subject to clause 10.6, JPMIAL will pay the Separate Trust Early Expiry Value to the Investor within 20 Business Days of the Early Expiry Date, or as soon as practicable thereafter.

## **10.6**

If the Investor is a Loan Applicant, the Separate Trust Early Expiry Value will be applied to repay the Loan Amount, and the remaining proceeds (if any) will be paid to the Investor.

## **10.7**

Upon payment by JPMIAL of the Early Expiry Value to an Investor, or the application of the Early Expiry Value to the Loan and the payment of any remaining proceeds to the Investor:

- (a) the Investor irrevocably directs the Security Trustee to transfer the legal and beneficial interest in the Underlying Parcel to JPMIAL or its nominee and the Investor's Beneficial Interest is extinguished;
- (b) the Security Interest will be discharged;
- (c) the Loan will be repaid in respect of that EM+ in satisfaction of the Investor's obligations under clause 5.1 of the Loan Agreement;
- (d) the EM+ will cease to exist;
- (e) the Swap Agreement will terminate in accordance with clause 6 of the Swap Agreement;
- (f) the Put Option Agreement will terminate in accordance with clause 3.2(a) of the Put Option Agreement and the Call Option Agreement will terminate in accordance with clause 3.2(a) of the Call Option Agreement;
- (g) JPMIAL and the Security Trustee will be under no further obligation to the Investor in respect of the EM+ that relates to that Underlying Parcel; and
- (h) the Investor's name and details will be removed from the Register.

## **11 Adjustment Events**

### **11.1 Adjustments**

If an Adjustment Event occurs or arises, JPMIAL, in its absolute discretion, may nominate that any one or more of the following will apply:

- (a) one or more of the Loan Amount (if the Investor is a Loan Applicant), Underlying Parcel, Underlying Security, the Expiry Date or any other variable, formula, calculation, amount or term of the EM+ may be adjusted, varied, amended or substituted in a fair and equitable manner in its absolute discretion so as to preserve as far as possible the position of the Investors and JPMIAL before the Adjustment Event occurred, including closing out or terminating an Option or the Swap;
- (b) consolidate or divide the number of EM+ in a Series to a lesser or greater number in response to a bonus issue or consolidation or subdivision of Securities in respect of the Underlying Parcel; or
- (c) the property or benefit which is the subject of the Adjustment Event including any Underlying Parcel that is the subject of the Adjustment Event, or the proceeds of sale of such property or rights, be:
  - (i) paid in accordance with the Order of Payment and if the proceeds are in respect of the whole of the Underlying Parcel, the Adjustment Event will be deemed to be an Extraordinary Event;
  - (ii) if the Investor is a Loan Applicant, applied to the Loan to reduce the Loan Amount;
  - (iii) treated as an Accretion; or
  - (iv) distributed to the Investor.

### **11.2 Early Expiry Date**

If an Adjustment Event occurs and JPMIAL does not make an adjustment in accordance with clause 11.1, JPMIAL may nominate the event as an Extraordinary Event and determine an Early Expiry Date for the purposes of clause 10.1.

### **11.3 Other events**

JPMIAL may take such action that it deems appropriate in relation to any event that relates to an EM+ or the Underlying Parcel that is not covered by the adjustment process in this clause 11 or an Extraordinary Event nomination in clause 10.1.

## 11.4 Market Disruption Event

If there is a Market Disruption Event on any date on which a calculation or determination is to be made (including the Expiry Date and the Settlement Date) then JPMIAL will take such action as is necessary to reflect the action or adjustment taken in relation to JPMIAL's hedging arrangements. If there are no hedging arrangements, or no action or adjustment is relevant then JPMIAL may determine that the date on which the calculation or determination is to be made is to be the first succeeding Exchange Business Day on which there is no Market Disruption Event. However, if there is a Market Disruption Event on each of the eight Exchange Business Days immediately following the original date that, but for the Market Disruption Event, would have been the date on which the calculation or determination would have been made ("Original Date"), then:

- (a) that eighth Exchange Business Day is to be taken to be the relevant date for the calculation or determination, despite the Market Disruption Event;
- (b) JPMIAL must determine the relevant valuations or observations for that EM+, on that eighth Exchange Business Day based on a good faith estimate of the relevant valuation or observation that would have prevailed on the Original Date; and
- (c) if JPMIAL cannot determine the valuation or observation in accordance with clause 11.4(b) then an Extraordinary Event will occur in accordance with clause 10.1.

JPMIAL must, as soon as practicable (and in any event within 20 Exchange Business Days) notify the Investor of the existence or occurrence of a Market Disruption Event on any day on which but for the occurrence or existence of a Market Disruption Event a calculation or determination would have been made.

## 12 Election on Expiry Date

### 12.1

The Security Trustee must deliver the Underlying Parcel to or at the direction of the Investor on payment of the Secured Monies.

### 12.2

Subject to clause 12.3, if:

- (a) JPMIAL exercises the Call Option; or
- (b) the Investor exercises the Put Option,

then the Investor directs the Security Trustee deliver the Underlying Parcel to JPMIAL on payment of the Secured Monies.

### 12.3

The Investor must satisfy any conditions and requirements set out in this Trust Deed, the Swap Agreement or otherwise required by JPMIAL (including, where relevant, the payment of the Loan Amount) for settlement of the EM+ at the time and in the manner required.

## 13 Set-Off

### 13.1

All monetary obligations imposed on the Investor are absolute, free of any right to counterclaim or set off and may only be satisfied once the payment has cleared.

### 13.2

The Security Trustee may:

- (a) set off any amount payable to it by an Investor or JPMIAL against any amount payable by the Security Trustee to the Investor or JPMIAL; and
- (b) withhold any amount payable by it to an Investor or JPMIAL in satisfaction of any amount payable to it by the Investor or JPMIAL.

## **14 Holding and cancellation of EM+**

JPMIAL may buy back EM+ and become the Investor of EM+ and cancel such EM+ by giving notice to the Security Trustee of such cancellation.

## **15 Power of sale**

### **15.1 Power of sale**

If the Investor:

- (a) fails to meet any of its obligations under the Loan Agreement (if the Investor is a Loan Applicant), Swap Agreement, Put Option Agreement or Call Option Agreement by the date and time on which the obligation is due; or
- (b) becomes insolvent or bankrupt,

then JPMIAL or the Security Trustee as its nominee is entitled to do one or more of the following in addition to anything else it is permitted by law:

- (c) exercise a power of sale under the Security Interest and apply the proceeds in accordance with the Order of Payment;
- (d) appoint one or more Receivers;
- (e) do anything that a Receiver could do under clause 15.6.

JPMIAL may give to the Security Trustee a direction on behalf of the Investor to dispose of the Underlying Parcel for the purposes of this clause.

### **15.2 Dealing with collateral**

The Investor undertakes to promptly do everything necessary or requested by JPMIAL or the Security Trustee to enforce its rights in relation to the Underlying Parcel.

### **15.3 Terms of appointment of Receiver**

In exercising its power to appoint a Receiver, JPMIAL or the Security Trustee as its nominee may:

- (a) appoint a Receiver to all or any part of the relevant Mortgaged Property or its income; and
- (b) set a Receiver's remuneration at any figure JPMIAL determines appropriate, remove a Receiver appointed and appoint a new or additional Receiver.

### **15.4 More than one Receiver**

If JPMIAL or the Security Trustee as its nominee appoints more than one Receiver, JPMIAL or the Security Trustee (as the case may be) may specify whether they may act individually or jointly.

### **15.5 Receiver is JPMIAL's agent**

Any Receiver appointed under this deed is JPMIAL's agent. JPMIAL is solely responsible for anything done, or not done, by a Receiver and for the Receiver's remuneration and costs.

### **15.6 Receiver's powers**

Unless the terms of appointment restrict a Receiver's powers, the Receiver may do one or more of the following:

- (a) sell, transfer or otherwise dispose of the Mortgaged Property;
- (b) obtain registration of the Mortgaged Property in JPMIAL or its nominee's name;
- (c) do anything else the law allows an owner or a Receiver of the Mortgaged Property to do.

### **15.7 Order of enforcement**

JPMIAL may enforce its Security Interest before it enforces other rights or remedies:

- (a) against any other person; or

(b) under another document, such as another Encumbrance.

If JPMIAL has more than one Encumbrance, it may enforce them in any order it chooses.

### **15.8 Disposal of the Mortgaged Property is final**

The Investor agrees that if JPMIAL, the Security Trustee or a Receiver sells or otherwise disposes of the Mortgaged Property:

- (a) the Investor will not challenge the acquirer's right to acquire the Mortgaged Property (including on the ground that JPMIAL, the Security Trustee or the Receiver was not entitled to dispose of the Mortgaged Property or that the Investor did not receive notice of the intended disposal) and the Investor will not seek to reclaim that property; and
- (b) the person who acquires the Mortgaged Property need not check whether JPMIAL, the Security Trustee or the Receiver has the right to dispose of the Mortgaged Property or whether JPMIAL, the Security Trustee or the Receiver exercises that right properly.

### **15.9 Exclusion of notice unless mandatory**

Neither JPMIAL, the Security Trustee nor any Receiver need give the Investor any notice or demand or allow time to elapse before exercising a right under the Security Interest or conferred by law (including a right to sell) unless the notice, demand or lapse of time is required by law and cannot be excluded.

## **16 Security Trustee**

### **16.1 Powers**

The Security Trustee has all the powers of a natural person or corporation in connection with the exercise of its rights and compliance with its obligations under this deed.

- (a) The Security Trustee may exercise its rights and comply with this deed in any manner it thinks fit.
- (b) The Security Trustee may employ agents and attorneys and may delegate any of its rights or obligations in its capacity as security trustee without notifying any person of that delegation.
- (c) The Security Trustee may trade in the Underlying Parcels of EM+ during the term of the EM+ including by lending, selling or otherwise disposing of the Underlying Parcel and repurchasing it with JPMIAL or related bodies corporate of JPMIAL on such terms determined by JPMIAL, including a securities lending arrangement which does not require collateral to be lodged with the Security Trustee, or fees to be paid to the Security Trustee.

### **16.2 Reliance on documents and experts**

The Security Trustee may rely on any document, advice, information and statement of JPMIAL, the Registrar or other persons employed or retained by it including attorneys engaged by the Security Trustee. The Security Trustee is not liable for anything done or suffered by it in reliance on such advice unless the Security Trustee had reasonable grounds to believe that it was not accurate.

### **16.3 Responsibilities of Security Trustee**

The Security Trustee:

- (a) is not required to monitor or keep itself informed about the Underlying Entities;
- (b) is not responsible for ensuring compliance by JPMIAL with its obligations under this deed;
- (c) has no responsibility for any acts or omissions of a nominee appointed pursuant to this deed nor for any breach of this deed caused by the nominee;
- (d) is not required to do or omit to do anything unless its liability is limited in a manner satisfactory to the Security Trustee; and
- (e) is not required to use its own funds for the payment of any expenses or liabilities.

## **16.4 Liability of the Security Trustee**

To the extent permitted by law, and subject to the provisions of this deed, neither the Security Trustee nor its successors, substitutes or assigns will be liable in respect of any conduct, delay, negligence or breach of duty in the exercise or non-exercise of any power, nor for any loss (including consequential loss) which results.

## **16.5 Indemnity**

Subject to clause 16.6, JPMIAL indemnifies the Security Trustee against all liabilities incurred by the Security Trustee in respect of any conduct in the exercise or non-exercise of any power or duty under this deed.

## **16.6 Liability for fraud or wilful misconduct**

Clauses 16.4 and 16.5 shall not apply to the extent that the conduct, delay, negligence or breach of duty in the exercise or non-exercise of any power or duty, or the loss (including consequential loss), arises from:

- (a) the Security Trustee's own dishonesty;
- (b) the dishonesty of its officers or employees;
- (c) the wilful commission or omission by it or its officers or employees of any act known to it or them to be a breach of trust; or
- (d) its own gross negligence.

## **16.7 No accounts**

The Security Trustee is not required to prepare accounts or tax returns for the Separate Trusts.

## **16.8 Compliance with deed**

JPMIAL must ensure that the Security Trustee complies with its obligations under the terms of this deed.

## **17 Dealings of the Security Trustee**

The Security Trustee will perform the following responsibilities on behalf of the Investor:

- (a) act continuously as trustee of each Separate Trust until the termination of the Separate Trust or it is removed as trustee and a replacement trustee has been appointed;
- (b) act in good faith and use reasonable care in dealing with the property of the Separate Trusts to the extent that the Security Trustee has power over that property;
- (c) subject to this deed, acknowledge the right of the Investor to make directions in relation to the property of the Separate Trusts and carry out those directions if consistent with this deed including but not limited to any transfer of property or other dealing;
- (d) deal with the property of the Separate Trusts in a manner which is in the best interests of the Investor; and
- (e) hold all necessary licences to enable it to discharge its obligations under this deed, and comply at all times with the terms of those licences.

## **18 Appointment of nominee**

The Security Trustee may appoint a nominee to be the registered holder of property of a Separate Trust.

## **19 Notice**

### **19.1 Notice to Investors**

- (a) If a notice or other communication is required to be given to an Investor, it must be given:
  - (i) in writing (which includes a fax or email);
  - (ii) may be posted on JPMIAL's website or an announcement made in an Australian newspaper with national coverage, if providing notice in such a manner is allowed by the Corporations Act or any ASIC policy; or
  - (iii) in such other manner as JPMIAL determines,

and must be delivered or sent to the Investor at the appropriate address as recorded on the Register.

- (b) In the case of joint Investors, the physical or electronic address of the joint Investors means the physical or electronic address of the Investor first named in the Register.
- (c) A notice, cheque or other communication sent by post to an Investor is taken to be received on the Business Day after it is posted. A fax is taken to be received 1 hour after receipt by the transmitter of confirmation of transmission from the receiving fax machine. An email is taken to be received 1 hour after it is sent if the sender has not received a notice of non-delivery. A notice posted on a website or published in a newspaper will be taken to be received the date of posting or publishing. Proof of actual receipt is not required.

## 19.2 Notices to JPMIAL

- (a) A notice required under this deed to be given to JPMIAL must be given in writing (which includes a fax but not email), or in such other manner as JPMIAL determines.
- (b) A notice to JPMIAL is effective only at the time of receipt.
- (c) The notice must bear the actual or facsimile signature of the Investor or a duly authorised officer or representative of the Investor unless JPMIAL dispenses with this requirement.

## 20 Telephone Recordings

Each Investor agrees to JPMIAL:

- (a) tape recording any telephone conversations concerning an EM+;
- (b) retaining of any tape recording so made; and
- (c) using any tape recording so made as evidence of the content of the conversation.

## 21 Payments to the Investor

All monies that are to be paid to an Investor by JPMIAL, are to be made by either:

- (a) cheque and the cheque marked "not negotiable" and then posted or delivered to the Investor's address as indicated on the Register; or
- (b) electronic funds transfer to the Investor's nominated account.

## 22 Taxes

- (a) If JPMIAL receives a demand or assessment for any Taxes on behalf of or in respect of an Investor, a holding of EM+ or any Underlying Parcel, that amount shall be paid by the Investor in respect of the relevant EM+ to JPMIAL on demand.
- (b) If JPMIAL becomes liable as a supplier to pay goods and services tax under any goods and services tax legislation, the supplier may add an amount in respect of that goods and services tax to the agreed price of the affected supply.

## 23 Amendments to this deed

This deed may be amended by supplemental deed executed by JPMIAL and the Security Trustee:

- (a) if the amendment is necessary in the opinion of JPMIAL to comply with any statutory or other requirements of law;
- (b) to rectify any defect, manifest error or ambiguity in this deed where the amendment does not materially prejudice the interests of Investors;
- (c) to permit transfers by a method other than as set out in this deed;
- (d) in the case of an adjustment or nomination of an Extraordinary Event as set out in this deed; or
- (e) where, in the reasonable opinion of JPMIAL, the amendment does not materially prejudice the interests of Investors.

The Expiry Date may not be amended except in accordance with clause 10.

## **24 Waiver**

No failure to exercise and no delay in exercising any power operates as a waiver. Nor does any single or partial exercise of any power preclude any other or further exercise of that power or any other power. The powers in this deed are in addition to and do not exclude or limit any right, power or remedy provided by law.

## **25 Proprietary trading**

The Investor acknowledges that JPMIAL and its affiliates may each trade on its own account and on behalf of its clients in relation to the Underlying Securities the subject of an Option or the EM+, and may provide advice or other services in relation to the Underlying Securities or the issuer of the Underlying Securities. The Investor acknowledges that these activities may affect the price of the Underlying Securities, and the value of the EM+.

## **26 Assignment**

JPMIAL may assign its rights under this Trust Deed without prior notice to the Investor. The Investor may not assign its right in respect of this Trust Deed without the prior written consent of JPMIAL.

## **27 Rights are cumulative**

The rights, powers and remedies of each party under this Trust Deed are cumulative and are not exclusive of any rights, powers or remedies which may exist at law.

## **28 Severability**

If a provision of this Trust Deed is unenforceable, it is to be read down or severed only to the extent of the invalidity or unenforceability, and will not affect the validity or enforceability of the remaining provisions.

## **29 Information Sharing**

The Investor acknowledges and agrees that the Security Trustee, JPMIAL and their affiliates may disclose any information to each other and to the Investor's financial adviser regarding the Investor and the EM+ in relation to this Trust Deed.

## **30 Law and jurisdiction**

### **30.1 Governing Law**

This deed and the rights, liabilities and obligations of JPMIAL, the Security Trustee and Investors shall be governed by the laws of New South Wales.

### **30.2 Exclusive jurisdiction**

JPMIAL, the Security Trustee and each Investor submits to the non-exclusive jurisdiction of the courts of New South Wales and waives any right it has to object to an action being brought in those courts including, without limitation, by claiming that the action has been brought in an inconvenient forum or that those courts do not have jurisdiction.

Executed as a deed.

## EM+ Loan Agreement

This is the form of Loan Agreement entered into between a successful Applicant or Transferee of EM+ in a Series and JPMIAL where the Applicant or Transferee are not already parties to such Loan Agreement in respect of EM+ in the relevant Series.

## Operative provisions

### 1 Definitions and Interpretations

#### 1.1 Definitions

Terms which are capitalised and not defined in this Loan Agreement are defined in the glossary in Section 15 of the PDS.

#### 1.2 Interpretation

Clause 1.2 of the Trust Deed applies to this Loan Agreement, as if references to "this Deed" or "this Trust Deed" were references to this Agreement.

Each Loan Applicant or Transferee acknowledges that by entering into the Loan Agreement it may only use the Loan for business or investment purposes.

### 2 Loan

#### 2.1 Lender to fund

For each EM+ issued to the Loan Applicant or Transferred to the Transferee, JPMIAL agrees to provide a Loan to the Investor for each EM+ in accordance with this agreement.

#### 2.2 Limited recourse Loan

The Loan is a limited recourse facility whereby JPMIAL's recourse against the Investor is limited to the total amount received by JPMIAL on disposal of the Underlying Parcel relating to the EM+ held by the Investor (whether by exercising a power of sale or otherwise). JPMIAL will not take any action against the Investor in relation to the Loan to recover any amount beyond enforcing the Security Interest.

#### 2.3 Directions to JPMIAL

A Loan Applicant irrevocably authorises and directs JPMIAL to drawdown and apply the Initial Loan Amount on the Issue Date in accordance with clauses 2.4 and 2.6 of the Trust Deed.

### 3 Using the Loan

#### 3.1 Initial advance

A Loan Applicant or Transferee of a Loan Applicant (as applicable) is automatically taken to have requested an advance on the Issue Date or Transfer Date (as applicable) of the Loan for the Loan Amount on that date.

#### 3.2 Further drawdowns for Interest

For each EM+ held by the Loan Applicant, the Investor will be deemed to request, on each Interest Payment Date, a further drawdown on the Loan for each EM+ equal to the amount of Interest payable on that Interest Payment Date.

### 4 Interest

#### 4.1 Interest

Interest for an Interest Period will be payable by the Investor in advance on the Loan on each Interest Payment Date at the Interest Rate, and calculated, as set out in the PDS for the relevant Series.

## **4.2 Interest Periods**

The Investor agrees to pay interest on the Loan in advance on each Interest Payment Date up to (but excluding) the earlier of the next Interest Payment Date or Expiry Date, at the Interest Rate applicable on the Interest Payment Date on which the payment is made.

## **4.3 Interest on Transfer**

A Transferee agrees to pay interest on the Transfer Date on the Loan Amount in accordance with clause 4.1 from the Transfer Date up to (but excluding) the earlier of the next Interest Payment Date or Expiry Date, at the Interest Rate applicable on the Transfer Date.

## **4.4 Interest Refund on Transfer**

Where an Investor (Transferor) elects to Transfer an EM+, the Transferor is entitled to a refund of any Interest Amount it has prepaid for the period from the Transfer Date to the earlier of the next Interest Payment Date or the Expiry Date.

## **4.5 Interest Refund payment**

Interest refunds under clause 4.4 are payable by JPMIAL applying the refund against the Transferor's Loan to reduce the amount of the Loan .

# **5 Repaying**

## **5.1 Repayment of Loan**

The Investor must pay the Loan Amount to JPMIAL on the Repayment Date. JPMIAL will apply the repayment of any Loan Amount, or any proceeds from the settlement of an Option or the Swap, to repay the Loan on the Repayment Date, or as soon as reasonably practicable thereafter, or otherwise as set out in the Terms.

# **6 Security**

## **6.1**

The Investor acknowledges that the Security Trustee will create a Security Interest in the Underlying Parcel to secure the payment of any amounts owing to JPMIAL under the Loan and any other Secured Monies. The terms of the Security Interest are set out in the Trust Deed.

## **6.2**

Where the Investor:

- (a) does not give a valid EM+ Maturity Notice and does not repay the Loan Amount (if any) when due and payable; or
- (b) becomes bankrupt or insolvent,

JPMIAL may declare all amounts owing under the Loan to be due and payable and/or direct the Security Trustee to exercise its power of sale in respect of the Underlying Parcel in its absolute discretion.

## **6.3**

JPMIAL may in its absolute discretion, apply the proceeds otherwise payable to the Investor following the exercise of the power of sale in respect of some or all of the Investor's EM+, in accordance with the Order of Payment.

## **6.4**

To the extent permitted by law, the Security Trustee has dispensed with any right to notice or lapse of time required by any law for the enforcement of a Security Interest or the exercise of any power by JPMIAL under this agreement or the Trust Deed.

## 7 Transfers

### 7.1 Process of Transfers

On registration of a Transfer of an EM+ where the Transferor is a Loan Applicant, the following occurs:

- (a) a Loan will be made for the relevant Series of EM+ to the Transferee equal to the Loan Amount for that Series on the Transfer Date respectively;
- (b) the balance of the Transferor's Loan is repaid and the obligations arising from the Transferor's Loan are extinguished; and
- (c) Transfer Costs are payable:
  - (i) by JPMIAL to the Transferor where the Transferor's Interest Refund is less than the Transferee's Interest Amount, with such costs equal to the difference between those amounts payable by JPMIAL applying the costs against the Transferor's Loan to reduce the amount of the Loan; or
  - (ii) by the Transferor to JPMIAL where the Transferee's Interest Amount is less than the Transferor's Interest Refund, with such costs equal to the difference between those amounts payable by the costs being added to the Transferor's Loan to increase the amount of the Loan.

### 7.2 Transferee's new Loan

The amount advanced to the Transferee under the new Loan for each EM+ Transferred will be applied at the irrevocable direction of the Transferee:

- (a) to the outstanding amount which exists under the Transferor's Loan in respect of the Transferred EM+ as part of the consideration for the transfer of the Beneficial Interest; and
- (b) a prepayment of the Transferee's Interest Amount and to pay any Transfer Costs of the Transferor under clause 7.1.

## 8 General

### 8.1

JPMIAL may exercise a right or remedy or give or refuse its consent under this agreement in any way it considers appropriate (including by imposing conditions).

### 8.2

If JPMIAL does not exercise a right or remedy under this agreement fully or at a given time, JPMIAL may still exercise it later.

### 8.3

JPMIAL is not liable for loss caused by the exercise or attempted exercise of, failure to exercise, or delay in exercising, a right or remedy under this agreement.

### 8.4

The rights and remedies of JPMIAL under this agreement are in addition to other rights and remedies given by law independently of this agreement.

### 8.5

Rights given to JPMIAL under this agreement and the Investor's liabilities under it are not affected by anything which might otherwise affect them at law.

### 8.6

The Investor agrees to do anything JPMIAL asks (such as obtaining consents, signing and producing documents and getting documents completed and signed):

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(a) to bind the Investor and any other person intended to be bound under this agreement;

(b) to show whether the Investor is complying with this agreement.

### **8.7**

This agreement is governed by the laws of New South Wales. The parties submit to the exclusive jurisdiction of the Courts of New South Wales.

## **9 Adjustment and Early Expiry**

### **9.1**

If an Adjustment Event occurs, then JPMIAL may adjust, vary, amend or substitute the Loan Amount or any other variable, formula, calculation, amount or term of the Loan in accordance with clause 11 of the Trust Deed or clause 5 of the Swap Agreement.

### **9.2**

If a Market Disruption Event occurs, clause 5 of the Swap Agreement applies to this Loan Agreement.

## **10 General**

Clauses 10 to 15 of the Swap Agreement apply to this Loan Agreement.

## EM+ Put Option Agreement

This is the form of Put Option Agreement entered into between a successful Applicant or Transferee of EM+ in a Series and JPMIAL where the Applicant or Transferee are not already parties to such Put Option Agreement in respect of EM+ in the relevant Series.

## Operative provisions

### 1 Definitions and Interpretations

#### 1.1 Definitions

Terms which are capitalised and not defined in this Put Option Agreement are defined in the glossary in Section 15 of the PDS.

#### 1.2 Interpretation

Clause 1.2 of the Trust Deed applies to this Put Option Agreement, as if references to "this Deed" or "this Trust Deed" were references to this Agreement.

### 2 Put Option

#### 2.1 Confirmations

JPMIAL will issue the Investor with a confirmation in relation to the EM+ in accordance with clause 5 of the Trust Deed which will include details of the Put Option.

#### 2.2 Grant of Put Option

On the Issue Date JPMIAL grants the Investor the Put Option on the terms set out in this Put Option Agreement, the confirmation and the Terms of the EM+.

#### 2.3 Put Option

The Put Option confers on the Investor the right, but not the obligation to sell the Underlying Parcel to JPMIAL on the scheduled Expiry Date for the Market Value.

#### 2.4 Consideration

The Investor grants JPMIAL the Call Option in consideration for JPMIAL granting the Investor the Put Option under this Put Option Agreement .

### 3 Exercise

#### 3.1 Exercise of a Put Option

Subject to clause 3.2, the Investor may exercise the Put Option on the scheduled Expiry Date by providing a valid EM+ Maturity Notice electing to exercise the Put Option to JPMIAL.

#### 3.2 Expiry of Put Option

(a) The Put Option will expire:

- (i) if it is not exercised by the close of business on the scheduled Expiry Date; or
- (ii) on an Early Expiry Date; or
- (iii) if the Call Option is exercised; or
- (iv) if JPMIAL purchases the EM+ in accordance with clause 7 of the Swap Agreement; or
- (v) on the Settlement Date, following exercise; or
- (vi) otherwise as set out in this Put Option Agreement, the Swap Agreement or the Trust Deed or the PDS.

- (b) When the Put Option expires, it is automatically and permanently cancelled and all rights and obligations created by or in respect of it are terminated and no further payments are due by either party.

## **4 Delivery and Settlement**

### **4.1 Market Value**

The Put Option may only be exercised at the Market Value.

### **4.2 Settlement of Put Option**

Upon exercise of the Put Option in accordance with clause 3.1, on the Settlement Date:

- (a) the Investor must deliver or cause to be delivered to JPMIAL, the Underlying Parcel in respect of the Put Option; and
- (b) JPMIAL must pay to the Investor an amount equal to the Market Value.

### **4.3 Conclusion of Put Option**

Upon completion of the settlement of the Put Option in accordance with clause 3.1, the Put Option is deemed to have been concluded and no further rights or obligations exist in relation to that Put Option.

### **4.4 Investor to pay Taxes**

For the avoidance of doubt, the Investor undertakes to pay any transfer or similar duties or Taxes (including without limitation any goods and services tax which may be payable) chargeable in connection with any transaction effected pursuant to or contemplated by this Put Option Agreement.

### **4.5 Inability to acquire Underlying Parcel**

If JPMIAL is prohibited for any reason from acquiring the Underlying Parcel from an Investor under the Put Option, the Investor is deemed to have appointed JPMIAL or its nominee to sell the Underlying Parcel on behalf of the Investor and JPMIAL or its nominee must pay the proceeds to the Investor in accordance with the Order of Payment on the Settlement Date.

## **5 Adjustment Events and Early Expiry**

### **5.1**

If an Adjustment Event or Market Disruption Event occurs, clause 5 of the Swap Agreement applies to this Put Option Agreement.

### **5.2**

If there is an Early Expiry Date in respect of the EM+ under the Trust Deed (including an Early Expiry Date nominated by JPMIAL), the Put Option will expire in accordance with clause 3.2.

## **6 General**

### **6.1 Process of Transfers**

An Investor may only deal with the Investor's rights, obligations and interests under this Put Option Agreement in accordance with the Terms of the EM+.

### **6.2 Other**

Clauses 10 to 15 of the Swap Agreement apply to this Put Option Agreement, as if references to "this Swap Agreement" were references to this Agreement.

## EM+ Call Option Agreement

This is the form of Call Option Agreement entered into between a successful Applicant or Transferee of EM+ in a Series and JPMIAL where the Applicant or Transferee are not already parties to such Call Option Agreement in respect of EM+ in the relevant Series.

## Operative provisions

### 1 Definitions and Interpretations

Terms which are capitalised and not defined in this Call Option Agreement are defined in the glossary in Section 15 of the PDS.

#### 1.2 Interpretation

Clause 1.2 of the Trust Deed applies to this Call Option Agreement, as if references to "this Deed" or "this Trust Deed" were references to this Agreement.

### 2 Call Option

#### 2.1 Confirmations

JPMIAL will issue the Investor with a confirmation in relation to the EM+ in accordance with clause 5 of the Trust Deed which will include details of the Call Option.

#### 2.2 Grant of Call Option

On the Issue Date the Investor grants JPMIAL the Call Option on the terms set out in this Call Option Agreement, the confirmation and the Terms of the EM+.

#### 2.3 Call Option

The Call Option confers on JPMIAL the right, but not the obligation to buy the Underlying Parcel from the Investor on the scheduled Expiry Date for the Market Value.

#### 2.4 Consideration

The JPMIAL grants the Investor the Put Option in consideration for JPMIAL granting the Investor the Call Option under this Call Option Agreement.

### 3 Exercise

#### 3.1 Exercise of Call Option

Subject to clause 3.2, the Call Option may be exercised by JPMIAL on the scheduled Expiry Date without prior notice to the Investor.

#### 3.2 Expiry of Options

- (a) The Call Option will expire:
- (i) if it is not exercised by the close of business on the scheduled Expiry Date; or
  - (ii) on an Early Expiry Date; or
  - (iii) if the Put Option is exercised; or
  - (iv) if JPMIAL purchases the EM+ in accordance with clause 7 of the Swap Agreement; or
  - (v) on the Settlement Date, following exercise; or
  - (vi) otherwise as set out in this Call Option Agreement, the Swap Agreement or the Trust Deed or the PDS.
- (b) When the Call Option expires, it is automatically and permanently cancelled and all rights and obligations created by or in respect of it are terminated and no further payments are due by either party.

## **4 Delivery and Settlement**

### **4.1 Market Value**

The Call Option may only be exercised at the Market Value.

### **4.2 Settlement of Call Option**

Upon exercise of the Call Option in accordance with clause 3.1, on the Settlement Date:

- (a) the Investor must deliver or cause to be delivered to JPMIAL, the Underlying Parcel in respect of the Call Option; and
- (b) JPMIAL must pay to the Investor an amount equal to the Market Value.

### **4.3 Conclusion of Call Option**

Upon completion of the settlement of the Call Option in accordance with clause 4.2, the Call Option is deemed to have been concluded and no further rights or obligations exist in relation to that Call Option.

### **4.4 Investor to pay Taxes**

For the avoidance of doubt, the Investor undertakes to pay any transfer or similar duties or Taxes (including without limitation any goods and services tax which may be payable) chargeable in connection with any transaction effected pursuant to or contemplated by this Call Option Agreement.

### **4.5 Inability to acquire Underlying Parcel**

If JPMIAL is prohibited for any reason from acquiring the Underlying Parcel from an Investor under the Call Option, the Investor is deemed to have appointed JPMIAL or its nominee to sell the Underlying Parcel on behalf of the Investor and JPMIAL or its nominee must pay the proceeds to the Investor in accordance with the Order of Payment on the Settlement Date.

## **5 Adjustment Events, Market Disruption Events and Early Expiry**

### **5.1**

If an Adjustment Event or Market Disruption Event occurs, clause 5 of the Swap Agreement applies to this Call Option Agreement.

### **5.2**

If there is an Early Expiry Date in respect of the EM+ under the Trust Deed (including an Early Expiry Date nominated by JPMIAL), the Call Option will expire in accordance with clause 3.2.

## **6 General**

### **6.1 Process of Transfers**

An Investor may only deal with the Investor's rights, obligations and interests under this Call Option Agreement in accordance with the Terms of the EM+.

### **6.2 Other**

Clauses 10 to 15 of the Swap Agreement apply to this Call Option Agreement, as if references to "this Swap Agreement" were references to this Agreement.

## EM+ Swap Agreement

This is the form of Swap Agreement entered into between a successful Applicant or Transferee of EM+ in a Series and JPMIAL where the Applicant or Transferee are not already parties to such Swap Agreement in respect of EM+ in the relevant Series.

## Operative provisions

### 1 Definitions and Interpretations

#### 1.1 Definitions

Terms which are capitalised and not defined in this Swap Agreement are defined in the glossary in Section 15 of the PDS.

#### 1.2 Interpretation

Clause 1.2 of the Trust Deed applies to this Swap Agreement, as if references to “this Deed” or “this Trust Deed” were references to this Agreement.

### 2 General

#### 2.1 Application Procedure

- (a) Each Applicant must apply for EM+ in accordance with clause 2 of the Trust Deed.
- (b) If JPMIAL accepts an Application for EM+ in accordance with clause 2 of the Trust Deed in addition to the obligations set out in the Trust Deed it will, for each EM+ issued:
  - (i) enter into the Options in accordance with the terms set out in the Call Option Agreement and the Put Option Agreement; and
  - (ii) enter into the Swap Agreement and pay the Coupon Amount in accordance with the terms of the Swap Agreement; and
  - (iii) if the Applicant is a Loan Applicant, provide the Loan on the terms set out in the Loan Agreement.

#### 2.2 Process of Transfers

- (a) An Investor may only deal with the Investor’s rights, obligations and interests under the Loan Agreement (if the Investor is a Loan Applicant), the Swap Agreement, the Call Option Agreement and the Put Option Agreement in accordance with this Swap Agreement and the Trust Deed.
- (b) The Investor agrees and acknowledges that the Investor’s rights, obligations and interests under this Swap Agreement, the Call Option Agreement, the Put Option Agreement and the Loan Agreement (where the Investor is a Loan Applicant) form part of the EM+, and may not be severed from the Investor’s other rights, obligations and interests under the EM+ or separately dealt with in any way.
- (c) If the EM+ is transferred in accordance with clause 7 of the Trust Deed, the Transferor’s rights, obligations and interests in this Swap Agreement, the Call Option Agreement and the Put Option Agreement are novated to the Transferee on the Transfer Date without the need for any additional writing or action. The Investor agrees that its rights, obligations and interests under the Swap Agreement, the Call Option Agreement, the Put Option Agreement, and the Loan Agreement (where the Investor is a Loan Applicant) are attached to, and cannot be severed from, the EM+.
- (d) If an Investor purports to deal with a portion of the EM+ without an equivalent dealing in the corresponding rights, obligation and interest under the Swap Agreement, the Call Option Agreement, the Put Option Agreement, and the Loan Agreement (where the Investor is a Loan Applicant), or if any Investor purports to deal in the rights, obligation and interest under the Swap Agreement, the Call Option Agreement, the Put Option Agreement, and the Loan Agreement (where the Investor is a Loan Applicant) without an equivalent dealing in the remaining rights, obligations and interest in the EM+, or purports to contract out of this clause in any way, any such dealing will be void and the EM+ will remain with the Investor recorded on the Register.

## **3 Swap**

### **3.1**

On the Issue Date, the Investor and JPMIAL will enter into a swap in accordance with the terms set out in this Swap Agreement.

### **3.2**

Under the terms of the Swap, the Investor and JPMIAL agree that:

(a) on and from the Issue Date to and including the Expiry Date:

- (i) the Investor will pay, or will cause the Security Trustee to pay as specified in clause 9.3 of the Trust Deed, all Dividend Equivalence Payments in respect of the Underlying Parcel to JPMIAL; and
- (ii) JPMIAL will pay the Investor the Coupon Amount in accordance with clause 4; and

(b) on the Expiry Date JPMIAL will calculate the Swap Settlement Amount as follows:

the Swap Differential plus the Coupon Amount (if any) payable in respect of the final Coupon Entitlement Date.

### **3.3**

The Dividend Equivalence Payment means an amount paid to the Security Trustee under the terms of any securities lending arrangement entered into between the Security Trustee and JPMIAL or a related body corporate of JPMIAL in respect of the Underlying Parcel.

### **3.4**

The Swap Differential is calculated as the Expiry Amount minus the Market Value of the Underlying Parcel on the scheduled Expiry Date.

### **3.5**

If the Swap Settlement Amount is a positive number, JPMIAL must pay the absolute value of the Swap Settlement Amount to the Investor.

### **3.6**

If the Swap Settlement Amount is a negative number, the Investor must pay the absolute value of the Swap Settlement Amount to JPMIAL.

### **3.7**

The Swap Settlement Amount must be paid by the relevant party on the Settlement Date. References to the Swap Settlement Amount in the Terms or the PDS are references to the absolute value of the Swap Settlement Amount as payable by the relevant party, unless the context requires otherwise.

## **4 Coupon Amount**

### **4.1 Payment of Coupon Amount by JPMIAL**

On each Coupon Payment Date, JPMIAL will pay the Investor the Coupon Amount for the relevant period provided that the Coupon Payment Condition (if any) for the relevant period is satisfied. If the Coupon Payment Condition (if any) for the relevant period is not satisfied, then no Coupon Amount will be payable.

### **4.2 Loan**

Each Loan Applicant agrees that the payment of the Coupon Amount will be applied by JPMIAL to the Loan to reduce the Loan Amount.

## 5 Adjustment Events

### 5.1 Adjustments

If an Adjustment Event occurs or arises, JPMIAL, in its absolute discretion, may nominate that any one or more of the following will apply:

- (a) one or more of the Underlying Parcel, Underlying Security, the Expiry Date, the Strike Price for an Option, the Coupon Amount, the Coupon Payment Condition, a Coupon Payment Date, a component of a Dynamic Portfolio or any other variable, formula, calculation, amount or term of the EM+ (including of the Options and the Swap) may be adjusted, varied, amended or substituted in a fair and equitable manner in its absolute discretion so as to preserve as far as possible the position of the Investors and JPMIAL before the Adjustment Event occurred, including closing out or terminating an Option or the Swap;
- (b) consolidate or divide the number of EM+ in a Series and consequently the number of Options to a lesser or greater number in response to a bonus issue or consolidation or subdivision of Securities in respect of the Underlying Parcel; or
- (c) the property or benefit which is the subject of the Adjustment Event including any Underlying Parcel that is the subject of the Adjustment Event, or the proceeds of sale of such property or rights, be:
  - (i) paid in accordance with the Order of Payment and if the proceeds are in respect of the whole of the Underlying Parcel, the Adjustment Event will be deemed to be an Extraordinary Event;
  - (ii) if the Investor is a Loan Applicant, applied to the Loan to reduce the Loan Amount;
  - (iii) treated as an Accretion; or
  - (iv) distributed to the Investor.

### 5.2 Early Expiry Date

If an Adjustment Event occurs and JPMIAL does not make an adjustment in accordance with clause 11.1 of the Trust Deed or clause 5.1 of this Swap Agreement, JPMIAL may nominate the event as an Extraordinary Event for the purposes of clause 10.1 of the Trust Deed.

### 5.3 Other events

JPMIAL may take such action that it deems appropriate in relation to any event that relates to an EM+ or the Underlying Parcel that is not covered by the adjustment process in this clause or an Extraordinary Event nomination in clause 10.1 of the Trust Deed.

### 5.4 Market Disruption Event

If there is a Market Disruption Event on any date on which a calculation or determination is to be made (including the Expiry Date and the Settlement Date) then JPMIAL will take such action as is necessary to reflect the action or adjustment taken in relation to JPMIAL's hedging arrangements. If there are no hedging arrangements, or no action or adjustment is relevant then JPMIAL may determine that the date on which the calculation or determination is to be made is to be the first succeeding Exchange Business Day on which there is no Market Disruption Event. However, if there is a Market Disruption Event on each of the eight Exchange Business Days immediately following the original date that, but for the Market Disruption Event, would have been the date on which the calculation or determination would have been made ("Original Date"), then:

- (a) that eighth Exchange Business Day is to be taken to be the relevant date for the calculation or determination, despite the Market Disruption Event;
- (b) JPMIAL must determine the relevant valuations or observations for that EM+, (including for the Option, the Loan or the Swap) on that eighth Exchange Business Day based on a good faith estimate of the relevant valuation or observation that would have prevailed on the Original Date, provided that to the extent JPMIAL has taken values into account under the Trust Deed, these provisions will not apply; and
- (c) if JPMIAL cannot determine the valuation or observation in accordance with clause 5.4(b) then an Extraordinary Event will occur in accordance with clause 10.1 of the Trust Deed.

JPMIAL must, as soon as practicable (and in any event within 20 Exchange Business Days) notify the Investor of the existence or occurrence of a Market Disruption Event on any day on which but for the occurrence or existence of a Market Disruption Event a calculation or determination would have been made.

## **6 Early Expiry**

If an Early Expiry Date is nominated by JPMIAL, JPMIAL will in its absolute discretion determine the amount which will be paid to Investors on the Early Expiry Date for the termination of the Swap Agreement, Put Option Agreement and Call Option Agreement. JPMIAL will determine an amount which will be calculated by reference to the fair market value of the Swap, the Put Option and the Call Option on the Early Expiry Date as determined by JPMIAL, less any applicable costs, taxes and Break Costs (the "Additional Early Expiry Value").

### **6.1**

Subject to clause 6.2, if the Additional Early Expiry Value is a positive amount, JPMIAL will pay the Additional Early Expiry Value to the Investor within 20 Business Days of the Early Expiry Date, or as soon as practicable thereafter, and on the same date that the Separate Trust Early Expiry Value is paid.

### **6.2**

If the Investor is a Loan Applicant, the Additional Early Expiry Value will be applied to repay the Loan Amount, and the remaining proceeds (if any) will be paid to the Investor.

### **6.3**

If the Early Expiry Value is zero or a negative amount, then neither JPMIAL or the Investor is required to make any payment in relation to the Early Expiry Date.

### **6.4**

If the Early Expiry Value is:

- (a) zero or a negative amount; or
- (b) where the Early Expiry Value is a positive amount, upon payment by JPMIAL of the Early Expiry Value to an Investor, or the application of the Early Expiry Value to the Loan and the payment of any remaining proceeds to the Investor:
  - (i) the Investor irrevocably directs the Security Trustee to transfer the legal and beneficial interest in the Underlying Parcel to JPMIAL or its nominee and the Investor's Beneficial Interest is extinguished;
  - (ii) the Security Interest will be discharged;
  - (iii) the Loan will be deemed to be repaid in respect of that EM+ in accordance with clause 5.1 of the Loan Agreement;
  - (iv) the EM+ will cease to exist;
  - (v) the Swap Agreement will terminate;
  - (vi) the Put Option Agreement will terminate in accordance with clause 3.2(a) of the Put Option Agreement and the Call Option Agreement will terminate in accordance with clause 3.2(a) of the Call Option Agreement;
  - (vii) JPMIAL and the Security Trustee will be under no further obligation to the Investor in respect of the EM+ that relates to that Underlying Parcel; and
  - (viii) the Investor's name and details will be removed from the Register.

### **6.5**

The Investor acknowledges that the Early Expiry Value may be less than the Principal on the Early Expiry Date.

## 7 Early Sale

### 7.1

JPMIAL may, at the request of an Investor purchase EM+ from Investors from time to time as set out in the PDS for the relevant Series of EM+.

### 7.2

If an Investor's tax status changes or will change or is likely to change so that the Investor will no longer:

- (a) qualify for the benefit of Article 10(2) of the double tax agreement between Australia and the United States as a resident of Australia (as defined in the double tax agreement); or
- (b) be operating from Australia for the purposes of this investment,

then Investor must notify JPMIAL immediately of the change or likely change in the Investor's tax status. Upon notification to JPMIAL or JPMIAL becoming aware of such a change or likely change, the Investor will be deemed to have requested an Early Sale in respect of their entire holding in accordance with this clause 7.

### 7.3

An Investor may request that JPMIAL buy back the EM+ on any Business Day by notifying JPMIAL in writing.

### 7.4

A request to sell EM+ to JPMIAL is irrevocable, and can only be made in respect of the Investor's entire holding of EM+ unless JPMIAL, in its absolute discretion, agrees otherwise.

### 7.5

Purchases of EM+ will be made on a monthly basis, however JPMIAL in its absolute discretion may accept or reject or hold over the request.

### 7.6

If JPMIAL accepts the Investors request to purchase the EM+:

- (a) JPMIAL will as soon as practicable after the request is received and accepted execute the purchase of the EM+. The Investor acknowledges that the date that the purchase is executed will be at the discretion of JPMIAL, and in particular may be affected by JPMIAL's ability to unwind or terminate its hedging arrangements.
- (b) JPMIAL will in its absolute discretion determine the price for the purchase of the EM+. The price will be calculated by reference to the fair market value of the EM+ on the date the purchase is executed, less any applicable costs, taxes and Break Costs. JPMIAL will provide Investors with monthly estimates of the price at which it will purchase EM+. The Investor acknowledges this is an estimate only and the actual price may be significantly less than the estimate.
- (c) If the Investor is a Loan Applicant, the purchase price will be applied to repay the Loan Amount, and the remaining proceeds (if any) will be paid to the Investor.
- (d) Upon payment by JPMIAL of the purchase price to an Investor, or the application of the purchase price to the Loan and the payment of any remaining proceeds to the Investor:
  - (i) the Investor irrevocably directs the Security Trustee to transfer the legal and beneficial interest in the Underlying Parcel to JPMIAL or its nominee and the Investor's Beneficial Interest is extinguished;
  - (ii) the Security Interest will be discharged;
  - (iii) the Loan will be repaid in respect of that EM+;
  - (iv) the EM+ will cease to exist;
  - (v) the Options and Swap will cease to exist;
  - (vi) JPMIAL and the Security Trustee will be under no further obligation to the Investor in respect of the EM+ that relates to that Underlying Parcel; and
  - (vii) the Investor's name and details will be removed from the Register.

## 7.7

The Investor acknowledges that the Investor may receive less than the Principal if JPMIAL purchases the EM+ before the Expiry Date.

## 8 Procedures on Expiry

### 8.1 Completing an EM+ Maturity Notice

An Investor can lodge an EM+ Maturity Notice with JPMIAL for an EM+ on or before the Expiry Date to exercise the Put Option on the Expiry Date, or requesting that JPMIAL does not exercise its Call Option on the Expiry Date. An EM+ Maturity Notice is effective on the Expiry Date and is irrevocable once lodged unless JPMIAL agrees in writing otherwise. Where the Investor requests that JPMIAL does not exercise the Call Option, and the Investor is a Loan Applicant, the Investor can elect to pay the Loan Amount before the Expiry Date, or will direct the Security Trustee to deliver a portion of the Underlying Parcel to JPMIAL to satisfy its obligations to repay the Loan Amount. For the EM+ Maturity Notice to be valid under this clause on the Expiry Date:

- (a) it must be duly completed;
- (b) if the Investor has elected to pay the Loan Amount, the Loan Amount must be received by or made available to JPMIAL in cleared funds on or before such time as JPMIAL determines from time to time;
- (c) the person providing JPMIAL with the EM+ Maturity Notice must be the registered Investor (or entitled to be the registered Investor) of the EM+ at 4:20pm on the Expiry Date; and
- (d) the EM+ Maturity Notice must be lodged on or after the date that is 35 Business Days before the Expiry Date but on or before the date which is 20 Business Days before the Expiry Date. An EM+ Maturity Notice lodged within the 35 Business Days preceding the Expiry Date (but before the date which is 20 Business Days before the Expiry Date) is deemed to be lodged on the Expiry Date.

### 8.2

Request that JPMIAL does not exercise the Call Option (Loan Amount paid or no Loan Amount)

- (a) If:
  - (i) if the Investor is a Loan Applicant and the Investor elected to pay the Loan Amount, the Loan Amount is received by JPMIAL as required; and
  - (ii) JPMIAL has not exercised the Call Option on the Expiry Date,

then the beneficial interest and legal title to the Securities in the Underlying Parcel will merge and the Investor revocably directs the Security Trustee:

- (A) if the Investor must pay a Swap Settlement Amount in accordance with clause 3, to transfer the beneficial interest and legal title in the number of Underlying Securities calculated in accordance with the following formula to JPMIAL on or after the Expiry Date and on or before the Settlement Date:

Swap Settlement Amount/Final Price per Security

rounded up to the nearest whole number; and

- (B) to transfer the beneficial interest and legal title to the remaining Underlying Securities in the Underlying Parcel to the Investor, on the Settlement Date.

- (b) If JPMIAL must pay a Swap Settlement Amount in accordance with clause 3, then the Swap Settlement Amount must be paid to the Investor's nominated account or by cheque to the Investor on the Settlement Date.
- (c) If the number of Underlying Securities delivered to JPMIAL multiplied by the Final Price per Security exceeds the Swap Settlement Amount by more than twenty dollars (A\$20), then JPMIAL will also pay the difference between the two amounts to the Investor's nominated account or by cheque to the Investor on the Settlement Date. ). If the amount does not exceed (A\$20.00), JPMIAL is under no obligation to the Investor to make any payment for the difference between the two amounts.

### 8.3

Request that JPMIAL does not exercise the Call Option (Loan Amount not paid)

(a) If the Investor is a Loan Applicant and:

- (i) the Loan Amount is not paid by the Investor; and
- (ii) JPMIAL has not exercised the Call Option on the Expiry Date,

then the beneficial interest and legal title to the Underlying Securities in the Underlying Parcel will merge and the Investor revocably directs the Security Trustee:

- (A) if the Investor must pay a Swap Settlement Amount in accordance with clause 3, to transfer the beneficial interest and legal title in the number of Underlying Securities calculated in accordance with the following formula to JPMIAL on or after the Expiry Date and on or before the Settlement Date:

$(\text{Loan Amount} + \text{Swap Settlement Amount}) / \text{Final Price per Security}$

rounded up to the nearest whole number; and

- (B) to transfer the beneficial interest and legal title to the remaining Underlying Securities in the Underlying Parcel to the Investor on the Settlement Date; or

- (C) if JPMIAL must pay a Swap Settlement Amount in accordance with clause 3 or the Swap Settlement Amount is zero, to transfer the beneficial interest and legal title in the number of Underlying Securities calculated in accordance with the following formula to JPMIAL on or after the Expiry Date and on or before the Settlement Date:

$(\text{Loan Amount} - \text{Swap Settlement Amount}) / \text{Final Price per Security}$

rounded up to the nearest whole number; and

- (D) to transfer the beneficial interest and legal title to the remaining Underlying Securities in the Underlying Parcel to the Investor on the Settlement Date;

- (b) If the number of Underlying Securities delivered to JPMIAL multiplied by the Final Price per Security exceeds the net amount payable by the Investor in respect of the Loan Amount and Swap Settlement Amount by more than twenty dollars (A\$20), then JPMIAL will also pay the difference between the two amounts to the Investor's nominated account or by cheque to the Investor on the Settlement Date. If the amount does not exceed (A\$20.00), JPMIAL is under no obligation to the Investor to make any payment for the difference between the two amounts.

#### 8.4

Upon completion of the transfers set out in clauses 8.2 and 8.3:

- (a) the Security Interest will be discharged;
- (b) the EM+ will cease to exist;
- (c) the Swap Settlement Amount will be deemed to be satisfied by the transfer of the Underlying Securities in accordance with clause 8.2 or 8.3 as the case may be;
- (d) the Swap will cease to exist;
- (e) the Put Option and Call Option will expire; and
- (f) JPMIAL and the Security Trustee will be under no further obligation to the Investor in respect of the EM+ that relates to that Underlying Parcel.

#### 8.5

If the Investor has elected to exercise the Put Option:

- (a) the Put Option will be settled in accordance with clause 4.2 of the Put Option Agreement; and
- (b) the Market Value payable by JPMIAL in accordance with clause 4.2 of the Put Option Agreement, and any Swap Settlement Amount payable by JPMIAL in accordance with clause 3, will be applied in accordance with the Order of Payment in which case:

- (i) the Investor will be paid any Market Value and Swap Settlement Amount in accordance with the Order of Payment (if any);
- (ii) the Security Interest will be discharged;
- (iii) the EM+ will cease to exist;
- (iv) the Options will cease to exist;
- (v) the Swap will cease to exist;
- (vi) the Investor's Beneficial Interest is extinguished; and
- (vii) JPMIAL and the Security Trustee will be under no further obligation to the Investor in respect of the EM+ that relates to that Underlying Parcel.

## **9 No election on Expiry Date or exercise of Call Option**

### **9.1**

If JPMIAL exercises the Call Option in accordance with clause 3.1 of the Call Option Agreement:

then:

- (i) the Call Option will be settled in accordance with clause 4; and
- (ii) the provisions of clause 8.5(b) will apply.

## **10 Power of Sale**

### **10.1**

If an event in clause 15.1 of the Trust Deed occurs and the power of sale is enforced or the Mortgaged Property is otherwise sold, transferred or disposed of, then the Put Option Agreement, the Call Option Agreement, the Swap Agreement and the Loan Agreement will be terminated, and JPMIAL will determine the amount of any Break Costs applicable to that termination.

### **10.2**

The Break Costs will be due and payable by the Investor on the date that the sale, transfer or disposal of the Mortgaged Property is settled and will be set-off against the proceeds of such sale, transfer or disposal.

### **10.3**

To the extent that the proceeds of any sale, transfer or disposal of the Mortgaged Property are paid in accordance with the Order of Payment, the Investor will not be required to make any additional payments in respect of the Break Costs determined in accordance with this clause.

### **10.4**

Following termination of the Put Option Agreement, the Call Option Agreement, the Swap Agreement and the Loan Agreement in accordance with this clause, JPMIAL will be under no further obligation to the Investor in respect of the Put Option Agreement, Call Option Agreement, Swap Agreement or Loan Agreement.

## **11 General**

### **11.1**

Clauses 13, 19 to 22 and 24 to 28 of the Trust Deed also apply to this Swap Agreement except that any reference to the Security Trustee shall be read as a reference to JPMIAL, and any reference to the Trust Deed shall be read as a reference to this Swap Agreement (or the Loan Agreement, Put Option Agreement or Call Option Agreement as applicable).

### **11.2**

Each Investor agrees to provide to JPMIAL during the Term any tax forms (including U.S. tax forms) that are requested by JPMIAL.

## **12 Set-Off**

### **12.1**

Any amount payable or deliverable on the same date (including the Expiry Date, Settlement Date and any early Expiry Date) by the Investor to JPMIAL will, without prior notice to the Investor be set off against any other amounts payable or deliverable by JPMIAL to the Investor. To the extent that any amount is set off, that amount will be discharged promptly and in all respects.

## **13 Amendments to this deed**

### **13.1**

This deed may be amended by JPMIAL in the circumstances set out in clauses 23(a) to 23(e) of the Trust Deed.

### **13.2**

The Expiry Date may not be amended except in accordance with clause 10 of the Trust Deed.

## **14 Information Sharing**

The Investor acknowledges and agrees that the Security Trustee, JPMIAL and their affiliates may disclose any information to each other and to the Investor's financial adviser regarding the Investor and the EM+ in relation to this Swap Agreement.

## **15 Law and jurisdiction**

### **15.1 Governing Law**

This deed and the rights, liabilities and obligations of JPMIAL and the Investors shall be governed by the laws of New South Wales.

### **15.2 Exclusive jurisdiction**

JPMIAL and each Investor submit to the exclusive jurisdiction of the courts of New South Wales and waive any right it has to object to an action being brought in those courts including, without limitation, by claiming that the action has been brought in an inconvenient forum or that those courts do not have jurisdiction.

Executed as an agreement

## 15. Glossary

The following words have these meanings in this PDS:

**Accretion** means all accretions, distributions, entitlements, benefits or rights whether cash or otherwise attaching to an Underlying Security in the Underlying Parcel after the issue of the EM+ including all Dividends, Special Dividends, shares, units, notes or other financial products that are issued, declared, paid, made, arise or accrue directly or indirectly in respect of the Underlying Security.

**Additional Early Expiry Value** has the meaning given in clause 6 of the Swap Agreement.

**Adjustment Event** means any of the following in respect of the EM+, and where relevant, in respect of the Underlying Securities, the Underlying Parcel, and any relevant component of a Dynamic Portfolio (the "Asset"):

- (a) where the Asset is a security or interest in a managed investment scheme:
  - (i) any event which results in the Asset being consolidated, reconstructed, sub-divided or replaced with some other form of security or property;
  - (ii) the issuer of the Asset reduces its share capital through either a cash return of share capital, capital distribution or otherwise (whether or not resulting in the cancellation of Securities in the Underlying Parcel);
  - (iii) the issuer of the Asset declares a rights issue or restructures its share capital in any manner;
  - (iv) a scheme of arrangement, quasi-scheme of arrangement or merger in the nature of a scheme of arrangement occurs in relation to the issuer of the Asset;
  - (v) the issuer of the Asset makes a buy-back offer in relation to all or any of the Assets;
  - (vi) the issuer of the Asset issues bonus shares, units or other property to holders of the Asset;
  - (vii) a takeover bid is made or announced for all or any of the Assets;
  - (viii) any part of the Asset is or becomes subject to compulsory acquisition under the Corporations Act or otherwise;
  - (ix) the issuer of the Asset declares or makes a non-cash Dividend or Special Dividend;
  - (x) any event occurs which constitutes a Disposal Event; or
- (b) where the Asset is an index:
  - (i) the Asset is suspended or ceases to be published for a period of 24 hours or more;
  - (ii) the Asset is not calculated and announced by the index sponsor, but is calculated and announced by a successor to the index sponsor;
  - (iii) the Asset is replaced by a successor index using the same or a substantially similar formula for and method of calculation; or
  - (iv) there is a suspension or material limitation on trading of securities generally on a Relevant Exchange for a period of 24 hours or more;
  - (v) the index sponsor or any successor makes a material change in the formula for or the method of calculating the Asset or in any way materially modifies that Asset;
- (c) any actual or proposed event that may reasonably (in the JPMIAL's opinion) be expected to lead to any of the events referred to in paragraphs (a) or (b) above occurring;
- (d) any force majeure event occurs, or any other event occurs which JPMIAL determines in good faith results in the performance of its obligations having become or becoming, in circumstances beyond its reasonable control, impossible, unlawful, illegal or otherwise prohibited;
- (e) JPMIAL is unable, after using commercially reasonable efforts, to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the

risk of entering into and performing its obligations with respect to the EM+, or (ii) realise, recover or remit the proceeds of any such transaction(s) or asset(s);

- (f) JPMIAL would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the risk of entering into and performing its obligations with respect to the Units, or (ii) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of JPMIAL will not be deemed an Adjustment Event;
- (g) JPMIAL's hedging arrangements are terminated, adjusted or changed;
- (h) the securities lending agreement is terminated, adjusted or changed;
- (i) any other event occurs which JPMIAL determines is an adjustment event for a Series of EM+ for the purposes of clause 11 of the Trust Deed,

but it does not include the payment of a Dividend or Special Dividend in cash by the Underlying Entity.

**Annual Coupon Asset Fee** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+

**Annual Equity Asset Fee** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Applicant** means a Cash Applicant or Loan Applicant, as applicable.

**Application** means a Cash Application or Loan Application, as applicable.

**Application Amount** means, for a Series of EM+, the amount determined by JPMIAL as the amount payable by an Applicant for EM+ in that Series.

**Application Form** means the form accompanying this PDS or such other form approved by JPMIAL.

**ASIC** means the Australian Securities and Investments Commission.

**ASTC Settlement Rules** means the operating rules of the clearing and settlement facility operated by the ASX Settlement and Transfer Corporation Pty Limited (ASTC) as amended, waived or modified.

**ASX** means ASX Limited or the market conducted by the ASX, as the context requires.

**ASX Market Rules** means the market rules of the ASX as amended, waived or modified.

**Beneficial Interest** means the beneficial interest of an Investor in the assets of the Separate Trust.

**Borrowing Fee** means the fee specified by JPMIAL from time to time in the PDS that may be charged for making the Loan to an Applicant on acceptance of an Application.

**Borrowing Costs** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Break Costs** means all Costs and losses incurred by JPMIAL or the Security Trustee (including any fees and Taxes) and determined by JPMIAL to be payable by the Investor as a result of:

- (a) an Early Expiry Date; or
- (b) a request to sell the EM+ to JPMIAL in accordance with the Early Sale provisions in clause 7 of the Swap Agreement (including where an Investor is deemed to make such a request); or
- (c) a change or likely change in the Investor's tax status which leads to an Early Sale of the Investor's EM+; or
- (d) the EM+ ceasing to exist or any other early termination or expiry of the EM+; or
- (e) the termination, adjustment or changing of any of JPMIAL's hedging arrangements in connection with EM+ which are terminated or expire early; or
- (f) any loss of profits that JPMIAL may suffer by reason of the early termination or expiry of the EM+; or

(g) any loss, costs, liabilities, expenses (including loss of profits) that JPMIAL will incur as a result of the early termination of the Put Option Agreement, the Call Option Agreement or the Swap Agreement.

**Business Day** means a day on which banks are open for business in Sydney, London and New York other than a Saturday, Sunday or public holiday.

**Business Day Convention** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Call Option** means the option granted in accordance with the Call Option Agreement.

**Cash Applicant** means a person who makes a Cash Application.

**Cash Application** means an application in writing to JPMIAL for an EM+ on the terms set out in the Application Form and this PDS that requires the payment of the Application Amount to be made to JPMIAL.

**Cash Asset** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Closing Date** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Confirmation** means the confirmation sent by JPMIAL in accordance with clause 5.

**Corporations Act** means the Corporations Act 2001 (Cwlth).

**Costs** includes costs, charges and expenses, including those incurred in connection with advisers.

**Coupon Amount** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Coupon Asset** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Coupon Dynamic Portfolio** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Coupon Dynamic Portfolio Rules** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Coupon Dynamic Portfolio Value** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Coupon Entitlement Dates** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Coupon Payment Condition** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Coupon Payment Date** means has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Crash Size** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Cushion** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Denomination/Issue Price** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Disposal Event** means an event which gives rise to an obligation on the Security Trustee under law to dispose of all or part of an Underlying Parcel.

**Dividend** means, in respect of EM+ over shares, a dividend or distribution in respect of Securities in the Underlying Parcel and, in respect of EM+ over interests in a trust, a distribution of income or capital in respect of Securities in the Underlying Parcel.

**Dividend Equivalence Payment** means the sum of money payable under a securities lending agreement which is equivalent to the amount that the Security Trustee would have been entitled to receive had the

Security Trustee been holding the Underlying Parcel on the relevant Record Date (less any deduction, withholding or payment of any relevant Tax made by the issuer of the Underlying Parcel or JPMIAL (or the relevant counterparty to the securities lending agreement), other than income tax of JPMIAL (or the relevant counterparty to the securities lending agreement).

**Early Expiry Date** means the revised Expiry Date determined by JPMIAL in accordance with clause 10 of the Trust Deed.

**Early Expiry Notice** means notice given to the Investor that EM+ will terminate before the Expiry Date as the result of an Extraordinary Event.

**Early Expiry Value** means the sum of the Separate Trust Early Expiry Value and the Additional Early Expiry Value.

**Early Sale** means a request to JPMIAL to buy the Investor's EM+ in accordance with clause 7 of the Swap Agreement.

**EM+** means an EM+ warrant issued under this PDS in accordance with the terms of the Trust Deed, the Put Option Agreement, the Call Option Agreement, the Swap Agreement, the Loan Agreement (if applicable) and the PDS.

**EM+ Maturity Notice** means the notice in the form approved by JPMIAL in respect of EM+ on the scheduled Expiry Date.

**Encumbrance** means any mortgage, lien, charge, pledge, or assignment by way of security, security interest, title retention, preferential right or trust arrangement, claim, covenant, profit a prendre or any other security arrangement or any other arrangement having the same effect.

**Equity Asset** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Equity Asset Initial Target Exposure** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Equity Dynamic Portfolio** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Equity Dynamic Portfolio Rules** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Equity Dynamic Portfolio Value** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Exchange Business Day** means in respect of the ASX or any other Relevant Exchange, a day on which that exchange is open for normal trading.

**Expiry Amount** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Expiry Date** means the scheduled expiry date set out in the Term Sheet, subject to an Early Expiry Date being nominated in accordance with clause 10 of the Trust Deed, in which case the Expiry Date will be the Early Expiry Date.

**Extraordinary Event** means any event the subject of a nomination under clause 10 of the Trust Deed which nomination has not been withdrawn.

**Final Equity Dynamic Portfolio Value** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Final Exchange Rate** means the spot rate of exchange determined by JPMIAL to be the rate of exchange to buy one United States dollar with Australian dollars on the Expiry Date.

**First Instalment** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Final Valuation Date** means the scheduled valuation date set out in the Term Sheet.

**Final Price** means the closing price of the Underlying Securities on the Relevant Exchange at the closing time on the scheduled Expiry Date.

**Geared EM+** means an EM+ held by a Loan Applicant and in respect of which the Investor and JPMIAL have entered into the Loan Agreement.

**Geared EM+ Premium** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Guarantor** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**HIN** has the meaning given in the ASTC Settlement Rules.

**Initial Coupon Asset Exposure** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Initial Dynamic Portfolio Value** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Initial Equity Dynamic Portfolio Value** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Initial Loan Amount** means the amount of the first drawdown of the Loan on the Issue Date, as set out in the PDS.

**Interest Amount** means the amount of interest payable on a Loan for EM+ to JPMIAL on each Interest Payment Date in respect of an EM+ under the Loan Agreement, as set out in the Term Sheet in the PDS for the relevant Series of EM+.

**Interest Payment Date** means the dates set out as Interest Payment Dates in the Term Sheet in the PDS for the relevant Series of EM+.

**Interest Rate** means the interest rate applicable to a Series of EM+ as set out in the PDS.

**Interest Refund** means in respect of an EM+ the aggregate of any interest refunded on a Loan under the Loan Agreement.

**Investor** means, in relation to an EM+, the person registered in the Register as the holder of that EM+.

**Issue Date** means the date on which JPMIAL accepts an Application for EM+ and issues EM+ to the Applicant in accordance with the Terms.

**Issue Price** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Issuer** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**JPMIAL** means JPMorgan Investments Australia Limited, ABN 21 056 751 716.

**JPMorgan** means JPMorgan Chase Bank and its affiliates.

**Loan** means, for EM+ in a Series, the loan granted to a Loan Applicant or Transferee (as applicable) by JPMIAL under the Loan Agreement in respect of an EM+.

**Loan Agreement** means the loan agreement in the form set out in the PDS or such other form of loan agreement contained in a PDS for EM+, entered into between JPMIAL and each successful Loan Applicant for a Series of EM+, and between JPMIAL and each Transferee of a Loan Applicant.

**Loan Amount** means, for EM+ in a Series, at any time, the outstanding amount of a Loan for an EM+ in that Series being the Initial Loan Amount plus any additional drawdowns made in respect of Interest payments.

**Loan Applicant** means a person who makes a Loan Application or a Transferee who receives a Transfer from a Loan Applicant.

**Loan Application** means an application in writing to JPMIAL for an EM+ on the terms set out in the Application Form and this PDS, including an application for a Loan, that requires the payment of the Application Amount to be made to JPMIAL.

**Market Disruption Event** means the occurrence or existence on any Business Day of any of the following events, in the determination of JPMIAL:

- (a) the suspension or material limitation of trading in securities generally on the ASX or the Relevant Exchange or a market associated with any of the Underlying Securities or other assets that constitute a component of a Dynamic Portfolio; or
- (b) any of the Underlying Securities or other assets that constitute a component of a Dynamic Portfolio ceases to exist or is materially changed, fails to be calculated and published, or the method of calculation materially changes; or
- (c) the declaration of a general moratorium in respect of banking activities in the country where any Relevant Exchange is located; or
- (d) any similar event JPMIAL reasonably declares to be a Market Disruption Event, including a force majeure event.

For the purposes of this definition, (1) a limitation on the hours and 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; (2) a limitation on trading imposed during the course of a day by reason of movements in price otherwise exceeding levels permitted by the Relevant Exchange will constitute a Market Disruption Event; and (3) issues of materiality are to be determined in the discretion of JPMIAL.

**Market Value** means an amount calculated as:

Final Price per Underlying Security x number of Underlying Securities in the Underlying Parcel x Final Exchange Rate.

**Maximum Equity Asset Exposure** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Minimum Equity Asset Exposure** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Maximum Coupon Asset Exposure** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Minimum Coupon Asset Exposure** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Minimum Investment** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Mortgaged Property** means the Underlying Parcel and assets of the Separate Trust held by the Security Trustee from time to time and that is mortgaged by the Security Trustee in favour of JPMIAL.

**Notional Coupon Dynamic Portfolio Value** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Notional Equity Dynamic Portfolio Value** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Option** means the Call Option or the Put Option (or either or both of them as the context requires).

**Order of Payment** means the payment of the proceeds of a sale or disposal of an Underlying Parcel or settlement of an Option or the Swap or a surplus or other amount received by JPMIAL or the Security Trustee in connection with the Underlying Parcel or an Option or the Swap in the following order:

- (a) firstly, to the Security Trustee, all Costs of the Security Trustee in connection with the sale or disposal of the Underlying Parcel or any other duties of the Security Trustee, including Taxes and any other amount payable to or by the Security Trustee;
- (b) secondly, to JPMIAL, the Secured Monies; and
- (c) thirdly, to JPMIAL any Swap Settlement Amount payable by the Investor and any other amount payable by the Investor to JPMIAL in accordance with these Terms; and

(d) fourthly, to the Investor, any balance (without interest).

**Offer** means the offer of Emerging Markets plus Warrants "EM+" by JPMorgan Investments Australia Limited (ABN 21 056 751 716) ("JPMIAL") in accordance with this PDS.

**PDS** means this product disclosure statement dated 12 February 2008.

**Principal** means the Issue Price of the EM+.

**Put Option** means the option granted in accordance with the Put Option Agreement.

**Rebalancing** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Rebalancing Date** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Receiver** means a receiver or receiver and manager appointed under the Trust Deed.

**Record Date** has the meaning given in the ASX Market Rules or the rules of a Relevant Exchange.

**Register** means the register of Investors maintained in accordance with the Trust Deed.

**Registrar** means Registries Limited (ABN 14 003 209 836) or any other registrar appointed by JPMIAL.

**Registry** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Relevant Exchange** means in the case of:

- (a) any exchange traded financial product, the primary exchange upon which that financial product is traded; and
- (b) an index, the primary exchange upon which the financial products which primarily constitute that asset are traded; or

an exchange as set out in the Term Sheet in the PDS for the relevant Series of EM+ or otherwise as determined in the absolute discretion of JPMIAL;

**Repayment Date** the date on which the Loan is due and payable, and will occur on the earlier of:

- (a) the Transfer of the EM+ corresponding to the Loan to a third party; and
- (b) the Early Expiry Date; and
- (c) the date on which JPMIAL purchases the EM+ in accordance with clause 7 of the Swap; and
- (d) the Expiry Date; and
- (e) otherwise a date on which the Loan becomes due and payable as set out in the Terms.

**Repayments** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Section** means a section of this PDS.

**Secured Monies** means, in relation to an EM+:

- (a) all monies which an Investor is, or at any time may become, actually or contingently liable to pay to JPMIAL under or in relation to the Loan (if the Investor is a Loan Applicant), an Option, the Swap or that otherwise relates to that EM+; and
- (b) any fees, Costs, liabilities and Taxes (excluding Transfer Tax) and expenses which JPMIAL incurs in connection with the Security Interest including the Costs of enforcing the Security Interest.

**Security** has the meaning given in section 92(1) of the Corporations Act.

Security Interest means the equitable mortgage granted in accordance with clause 4 of the Trust Deed by the Security Trustee on behalf of each Investor to JPMIAL to secure repayment of the Secured Monies.

**Security Trustee** means the trustee of the Separate Trusts from time to time being J.P. Morgan Portfolio Services Limited at the date of this PDS.

**Separate Trust** means each of the trusts, one for each Underlying Parcel, constituted in accordance with clause 3 of the Trust Deed.

**Separate Trust Early Expiry Value** has the meaning given in clause 10.4 of the Trust Deed.

**Series** means a series of EM+ that have the same Underlying Parcel, Loan Amount (where relevant), Option terms, Swap and Expiry Date.

**Settlement Date** means 10 Business Days after the Expiry Date or the Early Expiry Date (as applicable).

**Special Dividend** means any special or abnormal dividend or distribution in respect of Securities (including a distribution of income or capital) and includes a dividend or distribution described by an Underlying Entity declaring that dividend or distribution as:

- (a) special, abnormal, extraordinary, additional or extra;
- (b) part of a scheme of arrangement or takeover consideration;
- (c) part of a special distribution involving a return of capital, or

are otherwise characterised by the ASX or the Relevant Exchange as a special dividend or special distribution.

**Swap** means the swap entered into in accordance with the Swap Agreement.

**Swap Differential** has the meaning given in clause 3.4 of the Swap Agreement.

**Swap Settlement Amount** has the meaning given in clause 3.2(b) of the Swap Agreement.

**Target Coupon Asset Exposure** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Target Equity Asset Exposure** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Tax Act** means the Income Tax Assessment Act 1936 (Cwlth) or the Income Tax Assessment Act 1997 (Cwlth), as the context requires.

**Taxes** means taxes, levies, imposts, charges and duties (including stamp and transaction duties) imposed by any authority together with any related interest, penalties, fines and expenses in connection with them.

**Terms** means the terms of the EM+ as set out in the Trust Deed, the Put Option Agreement, the Call Option Agreement, the Loan Agreement (if the Investor is a Loan Applicant), the Swap Agreement and this PDS.

**Transfer or Transferred** means the transfer of an EM+ in accordance with clauses 7 of the Trust Deed, 7 of the Loan Agreement and 2.2 of the Swap Agreement.

**Transfer Costs** means costs payable by either JPMIAL or the Transferor in accordance with clause 7.1 of the Loan Agreement.

**Transfer Date** means the date on which a Transfer of an EM+ is recorded in the Register.

**Transfer Tax** includes all kinds of taxes, deductions, duties and charges imposed by a government, together with interest and penalties arising as a consequence of the transfer of shares, units or other property.

**Transferee** means a person who acquires EM+ from a Transferor.

**Transferor** means a person who disposes of EM+ to a Transferee.

**Trust Deed** means the security trust deed between the Security Trustee and JPMIAL establishing the Separate Trusts as set out in this PDS.

**Underlying Entity** means the entity (such as a corporation or responsible entity of a managed investment scheme or both for stapled Securities of a corporation and responsible entity) that is the issuer of the Securities (which includes interests in a managed investment scheme) that constitute the Underlying Parcel of a particular Series of EM+.

**Under/Over Investment Trigger** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Underlying Parcel** means, for each EM+, an interest in the Underlying Security in an Underlying Entity, calculated in accordance with the Term Sheet in the PDS for the relevant Series and as varied, if at all, in accordance with the Terms and any Accretions, cash or other property added to the Underlying Parcel and which remain undistributed.

**Underlying Security** means a Security in the relevant Underlying Entity for a Series of EM+ from time to time.

**Upfront Distribution Fee** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Upfront Marketing Fee** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Valuation Date** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Value of Cash Asset** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Value of Equity Asset** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Valuation Time** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

**Warrant Multiplier** has the meaning given in the Term Sheet in the PDS for the relevant Series of EM+.

By subscribing for the EM+ or Geared EM+ pursuant to these Application Forms each investor confirms that they have received, read and understood the PDS.

I/we state that I/we have received this PDS (electronically or otherwise) in Australia.

I/we state that I am or we are at least 18 years of age and not under any legal disability preventing me/us from applying for EM+.

I/we cannot withdraw my/our Application except when I/we have such a right under the Corporations Act.

I/we have personally received the PDS accompanied by or attached to this Application Form and have read the PDS to which this Application Form relates.

I/we acknowledge that acceptance of my/our Application and the allocation of EM+ /Geared EM+ will be at the discretion of JPMorgan Investments Australia Limited, which has the right to reject my/our Application and to allocate me/us a lower number of EM+ / Geared EM+ than applied for.

I/we acknowledge that the information contained in this PDS is not investment advice or a recommendation that the EM+ /Geared EM+ are suitable for me/us given my/our investment objectives, financial situation and particular needs.

I/we acknowledge that my/our investment in EM+ /Geared EM+ is not a deposit or liability of JPMorgan Chase Bank. EM+ /Geared EM+ can be subject to investment risk, including possible delays in repayment and loss of income and principal invested.

I/we represent and warrant to JPMIAL that I/we qualify for the benefit of Article 10(2) of the double tax agreement between Australia and the United States as a resident of Australia (as defined in the double tax agreement), and will be operating from Australia for the purposes of this investment.

I/we agree to receive the financial services guide and any supplementary financial services guide from J.P. Morgan Portfolio Services Limited by those documents being posted on JPMorgan's website at [www.jpmorgansp.com.au](http://www.jpmorgansp.com.au) or another internet website as notified to me/us from time to time.

I/we represent and warrant that I/we have access to the internet, and I/we have downloaded and received in printable form, and have read and understood the financial services guide prior to completing the application and providing the Application Amount.

I/We agree to give further information or personal details if required by JPMIAL to meet its obligations under anti-money laundering, counter-terrorism and taxation legislation.

I/we have read and understood the PDS and the Terms of the EM+, and agree to be bound by those Terms.

I/we have read and understood and make all the representations and warranties set out in the Terms, and the declarations set out in this Application Form.

I/We agree that this application form, once completed by me/us, holds me/us to a number of representations and warranties, among other things, relating to matters which JPMIAL must seek confirmation of in order to comply with the provisions of the anti-money laundering/counter-terrorism legislation

I/We acknowledge that it may be a criminal offence to knowingly provide false or misleading information or documents when completing this Application Form.

Neither JPMorgan Chase Bank, nor any of its related bodies corporate guarantees the performance of EM+ /Geared EM+, nor do such entities guarantee the repayment of Principal from EM+ /Geared EM+ where EM+ /Geared EM+ are sold prior to the Expiry Date for any reason.

### A FINANCE PROVIDER

If you are receiving finance from a Margin Lender please write the name of the Finance Provider in the boxes provided.

### B APPLICATION AMOUNT

This is the total number of EM+ you are applying for.

The application amount must be for a minimum of 100 EM+ with multiples of 10 thereafter. This is to ensure a whole number of EM+ is issued.

### C APPLICANT DETAILS

Write the full name you wish to appear on the register of EM+. This must be either your own name or the name of a company. Up to two joint Applicants may register.

If you have a Margin Lender the name of the holding may differ on notices and holding statements.

### D TAX FILE NUMBER

Enter your Tax File Number (TFN) or exemption category.

Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, for Australian residents, if these are not provided, the Issuer will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments of any income.

### E CONTACT DETAILS FOR NOTICES

Please enter your postal address and email address for all correspondence. All communication to you from the Issuer and the Registry will be sent to the person(s) shown. For joint Applicants, only one postal and one email address can be entered. Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.

### F APPLICANT BANK ACCOUNT DETAILS

The bank account must be in the same name as the Applicant(s). The bank account must be held with a bank, building society or credit union within Australia. Third party bank accounts will not be accepted.

This is the bank account where your Coupon Amounts will be paid. Any settlement proceeds will also be paid to this account unless you are using a Margin Lender in which case they will be paid to your Loan Account.

### G APPLICANT CHESS DETAILS

If you are already a CHES participant or sponsored by a CHES participant, write your Holder Identification Number (HIN) here.

### H ADVISER DETAILS

Enter your Financial Adviser details here. All applications must have a Financial Adviser. Failure to complete this section will result in the application being rejected.

If paying by cheque, pin (do not staple) your cheque or bank draft to the Application Form where indicated.



**E CONTACT DETAILS FOR NOTICES**

P.O. Box or Street No. and Name

Suburb  State  Postcode

Email Address

Daytime Phone No.  Mobile No.

**F APPLICANT BANK ACCOUNT DETAILS**

**This is the bank account where your Coupon Amounts will be paid. Any settlement proceeds will also be paid to this account unless you are using a Margin Lender in which case they will be paid to your Loan Account. Bank accounts must be in the same name as the Applicant(s). Third Party bank accounts will not be accepted.**

Account Name

BSB  Account Number

**G APPLICANT CHESS DETAILS**

HIN

(If you wish to take delivery of the Underlying Parcel and you are already a CHESS participant or sponsored by a CHESS participant write your Holder Identification Number (HIN) here. Please do not complete if you are using a Margin Lender as they will provide a specific HIN).

**H ADVISER DETAILS**

Adviser Name

Adviser code (if you have been issued one, otherwise leave blank)  Application Reference Number (Registry use only)

P.O BOX or Street No. and Name

Suburb  State  Postcode

Email Address

Daytime Phone No.  Mobile No.



% Rebate Commission

You must return your Application Form so that it is received before 5:00PM Sydney time on 11th April 2008 to:

Freeman Fox Limited  
P.O. Box 7830  
Waterfront Place  
Brisbane QLD 4001

If paying by cheque, please make your cheque or bank draft payable to "JPMIAL Structured Products Trust Account"



## INSTRUCTIONS FOR COMPLETING THE APPLICATION FORM

### A APPLICATION AMOUNT

This is the total number of Geared EM+ you are applying for.

The application amount must be for a minimum of 300 Geared EM+ with multiples of 30 thereafter. This is to ensure a whole number of Geared EM+ is issued.

### B APPLICANT DETAILS

Write the full name you wish to appear on the register of Geared EM+. This must be either your own name or the name of a company. Up to two joint Applicants may register.

### C TAX FILE NUMBER

Enter your Tax File Number (TFN) or exemption category.

Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, for Australian residents, if these are not provided, the Issuer will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments of any income.

### D CONTACT DETAILS FOR NOTICES

Please enter your postal address and email address for all correspondence. All communication to you from the Issuer and the Registry will be sent to the person(s) shown. For joint Applicants, only one postal and one email address can be entered. Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.

### E APPLICANT BANK ACCOUNT DETAILS

The bank account must be in the same name as the Applicant(s). The bank account must be held with a bank, building society or credit union within Australia. Third party bank accounts will not be accepted.

### F APPLICANT CHESS DETAILS

If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here.

### G ADVISER DETAILS

Enter your Financial Adviser details here. All applications must have a Financial Adviser. Failure to complete this section will result in the application being rejected.

If paying by cheque, pin (do not staple) your cheque or bank draft to the Application Form where indicated.



## GEARED EM+ APPLICATION

### APPLICATIONS CLOSE AT 5.00PM ON 11 APRIL 2008.

This is an application form for Geared EM+ under the Offer on the terms set out in the Product Disclosure Statement dated 12 February 2008.

You may apply with a minimum number of 300 Geared EM+ and in multiples of 30 thereafter. This Application Form and your Application Amount must be received by 5.00PM Sydney time on 11th April 2008.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The PDS contains information relevant to a decision to invest in Geared EM+ and you should read the entire PDS carefully before applying for Geared EM+.

Please refer to Page 1 of the Application Form for instructions on how to fill out this form.

## A APPLICATION AMOUNT

Number of Geared EM+

@ \$35.00 per Geared EM+

(Minimum 300 Geared EM+ per series, and multiples of 30 thereafter)

### First Instalment

\$  ,    ,    .

## B APPLICANT DETAILS

### Please complete your details below

Applicant #1 – Surname or Company Name

Date of Birth dd/mm/yyyy

 /  / 

Title

First Name

Middle Name

Joint Applicant #2 – Surname or Company Name

Date of Birth dd/mm/yyyy

 /  / 

Title

First Name

Middle Name

Account Designation (Super fund etc.)

## C TAX FILE NUMBER

### TFN/ABN/Exemption Code

Applicant #1

Joint Applicant #2

### TFN/ABN type – if not an individual, please mark the appropriate box

Company

Partnership

Trust

Super Fund



## D CONTACT DETAILS FOR NOTICES

P.O. Box or Street No. and Name

Suburb

State

Postcode

Email Address

Daytime Phone No.

Mobile No.

## E APPLICANT BANK ACCOUNT DETAILS

**This the bank account where your Coupon Amounts and any settlement proceeds will be paid.**

**Bank accounts must be in the same name as the Applicant(s). Third Party bank accounts will not be accepted.**

Account Name

(This is the account you will receive your Cash Settlement if applicable)

BSB

Account Number

## F APPLICANT CHESS DETAILS

HIN

(If you wish to take delivery of the Underlying Parcel and you are already a CHESS participant or sponsored by a CHESS participant write your Holder Identification Number (HIN) here.)

## G ADVISER DETAILS

Adviser Name

Adviser code (if you have been issued one, otherwise leave blank)

Application Reference Number (Registry use only)

P.O BOX or Street No. and Name

Suburb

State

Postcode

Email Address

Daytime Phone No.

Mobile No.

%

Rebate Commission

You must return your Application so that it is received before 5.00pm Sydney time on 11 April 2008 to:

Freeman Fox Limited

P.O. Box 7830

Waterfront Place

Brisbane QLD 4001

If paying by cheque, please make your cheque or bank draft payable to "JPMIAL-Structured Products Trust Account"

Adviser stamp

Freeman Fox Ltd ABN: 17 010 763 041 AFS Licence No: 246 510 Ph. 1800 003 369







## Directory

### **Issuer**

JPMorgan Investments Australia Limited  
Level 32, Grosvenor Place  
225 George Street  
Sydney NSW 2000

[www.jpmorgansp.com.au](http://www.jpmorgansp.com.au)  
T: 1800 157 620

### **Legal Adviser**

Baker & McKenzie  
Level 27, 50 Bridge Street  
Sydney NSW 2000

### **Registry**

Registries Limited  
Level 7, 207 Kent Street  
Sydney NSW 2000