

Merrill Lynch Linked Note issued by JPMorgan

Not for circulation in the United States or to U.S. persons.

INDICATIVE TERMS AND CONDITIONS

The following summary highlights selected information relating to the above-mentioned Notes. Further information is contained in the Prospectus dated 14 January 2008 for the U.S. \$14,000,000,000 Euro Medium Term Note Program as supplemented or amended from time to time (the "Base Prospectus") and the Final Terms for the Notes to be dated the Issue Date which will contain the final terms and conditions of the Notes (the "Final Terms"). This term sheet should be read in conjunction with the Final Terms and Base Prospectus. In particular, prospective investors should review carefully the "Investment Considerations" section of these indicative terms and conditions and the "Risk Factors" section of the Base Prospectus.

A prospective purchaser of the Notes described herein must carefully consider the risks associated with any investment in the Notes. See "Risk Disclosure" at the end of this termsheet.

Certain capitalised terms used herein are defined by reference to ISDA documentation. See "Defined Terms" at the end of this termsheet.

| | |
|-----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Issuer | JPMorgan Chase & Co. |
| Format | Mexican Peso Medium Term Notes in bearer form |
| Trade Date | September 11, 2008 |
| Issue Date | October 3, 2008 |
| Scheduled Maturity Date | October 3, 2013 |
| Maturity Date | The Scheduled Maturity Date, (which may be postponed but never accelerated due to a Credit Event or a Potential Failure to Pay or pursuant to the Convertibility provisions). |
| Scheduled Credit Observation End Date | 3 Business Days prior to the Scheduled Maturity Date |
| Credit Observation End Date | As defined in the Credit Annex. Such date may be after the Scheduled Maturity Date if a Potential Failure to Pay exists on the Scheduled Credit Observation End Date. |
| MXN Principal Amount | MXN 80,000,000 |
| MXN Proceeds | MXN 80,000,000 |
| USD Reference Amount | USD 16,000,000 |
| Issue Price | 100% |
| MXN | The lawful currency of the United Mexican States. MXN will be deemed to include any lawful successor currency of the United Mexican States. |
| Reference Entity | Merrill Lynch & Co., Inc. and any Successors |
| Applicable Trading Standards Annex (attached) | North American |

This material is not an offer or solicitation for the purchase or sale of any financial instrument, nor is it a commitment by JPMorgan Chase & Co. or any of its subsidiaries (collectively, "JPMorgan") to enter into any transaction referenced herein. Any commentary/trade idea included herein was prepared by sales or trading personnel and does not represent the views of any JPMorgan research analyst. All information herein is indicative, is based on certain assumptions and current market conditions and is subject to change without notice. Accordingly, no reliance should be placed on the information herein. When making an investment decision, an investor should rely solely on the final documentation relating to any referenced transaction, which will contain the definitive terms and conditions of the transaction. JPMorgan makes no representation or warranty regarding the accuracy or completeness of the information herein. JPMorgan is not an advisor to any investor in respect of any referenced transaction. Each investor must make an independent assessment of any legal, credit, tax, regulatory and accounting issues and determine with its own professional advisors any suitability or appropriateness implications of any transaction referenced herein in the context of its particular circumstances. JPMorgan assumes no responsibility or liability whatsoever to any person in respect of such matters. JPMorgan, or any connected or associated person, may hold a long or short position or a derivative interest in, or act as a market maker in, the financial instruments of any issuer referred to herein or act as underwriter, distributor, advisor or lender to any such issuer. This material is specific to the recipient and must not be distributed to any other person or replicated in any form without the prior written consent JPMorgan. This material is directed exclusively at market professionals and institutional investors and is not for distribution in any jurisdiction to private customers, as defined by the rules of the Financial Services Authority ("FSA"). Private customers may not therefore rely on this material. Moreover, any investment or services to which this material may relate will not be made available to private customers. Investors should execute transactions through an authorised entity in their home jurisdiction unless governing law otherwise permits. J.P. Morgan Securities Ltd., J.P. Morgan plc., J.P. Morgan Europe Limited and JPMorgan Chase Bank, London Branch are each authorised by the FSA. Copyright August 2004

| | |
|----------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Benchmark Obligation | Primary Obligor: Merrill Lynch & Co., Inc. Guarantor (if any): None Maturity: January 15, 2015 Coupon: 5.00% CUSIP/ISIN: 59018YUW9 / US59018YUW91 |
| Valuation Date | 3 Business Days prior to the relevant Interest Payment Date or Maturity Date. |
| Redemption Amount | 100% of the MXN Principal Amount (the "Redemption Amount") payable in MXN on the Scheduled Maturity Date. |
| Additional Payment following Credit Event | If (a) a Credit Event occurs, or (b) a Potential Failure to Pay exists on the Scheduled Credit Observation End Date and a Failure to Pay subsequently occurs, the Noteholders will receive (i) the Additional Credit Event Amount on the Credit Event Payment Date, and (ii) the Credit Event Interest Payment on the relevant Credit Event Interest Payment Dates. |
| Credit Event Payment Date | 5 Business Days following the Final Valuation Date (which may occur after the Scheduled Maturity Date) |
| Additional Credit Event Amount | MXN Principal Amount x Protection Leverage x (1- Final Price), where: "Protection Leverage" is 2.15. as determined by the Calculation Agent. |
| Credit Event Determination Date | The date the Calculation Agent determines that a Credit Event occurred. |
| Credit Event Interest Payment | In respect of a Credit Event Interest Period, an amount in MXN determined by the Calculation Agent to be paid at a rate per annum which shall be the MXN Principal Amount x Credit Event Interest Rate x Day Count Fraction, where: "Credit Event Interest Rate" is 8.60%." |
| Day Count Fraction | Act/360 |
| Credit Event Interest Periods and Credit Event Interest Payment Date | The first Credit Event Interest Period, if any, will be from the Credit Event Determination Date to but excluding the next Reference Interest Payment Date and for each period thereafter will be from and including a Reference Interest Payment Date and until but excluding the next Reference Interest Payment Date until the Scheduled Maturity Date. "Reference Interest Payment Date" shall mean the 3rd calendar day of April and October, starting on April 3, 2009 and ending, and including, the Scheduled Maturity Date and if such date is not a Business Day, then payment shall be made on the first following Business Day; for the avoidance of doubt, the amount of an Credit Event Interest Payment in respect of any Credit Event Interest Period shall not be affected by any such postponement of a Credit Event Interest Payment Date. "Credit Event Interest Payment Date" shall mean every Reference Payment Date starting from the first Reference Payment Date falling after the Credit Event Determination Date. |
| Optional Redemption | None |
| Calculation Agent | JPMorgan Chase Bank |

| | |
|---------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Final Price | As determined by the Calculation Agent, in accordance with the Valuation Method on the basis of the offer quotations (exclusive of any accrued interest and expressed as a percentage) for the relevant Reference Obligation as determined on the Valuation Date by the Calculation Agent. Final Price may be determined after the Valuation Date as more fully described in the Credit Annex. |
| Final Valuation Date | The Final Valuation Date shall be the date on which the Final Price is determined |
| Valuation Method | Market |
| Valuation Time | Any time determined in the sole discretion of the Calculation Agent on the Valuation Date |
| Quotation Amount | Any amount not greater than the USD Reference Amount, as selected in the sole discretion of the Calculation Agent |
| Quotation Method | Offer |
| Additional Specified Currencies | None |
| Additional Public Sources | None |
| Convertibility | <p>In the event that, at any time, the Mexican Government by means of any law, rule, regulation or decree, takes any action which is in effect or has effect on any relevant payment date, which legally or de facto prevents or has the effect of restricting or limiting</p> <p>(i) the general availability of Mexican Pesos in Mexico,</p> <p>(ii) the general availability for Mexico Pesos in any foreign exchange market or the availability of Mexican pesos in commercially reasonable terms;</p> <p>(iii) the exchange of USD for Mexican Pesos, or</p> <p>(iv) the transfer or receipt of Mexican Pesos inside or outside of Mexico,</p> <p>then the Issuer, at its option, may deliver to or to the order of the Noteholders (to the extent and in the manner permitted by applicable law) (a) in Mexico the amount due in Mexican Pesos or (b) outside of Mexico and the United States a USD amount, at accounts designated by the Noteholders, or established by the Issuer for the benefit of Noteholders, calculated based on the Mexican amount that was due exchanged to USD based on the exchange rate on the date of determination, as determined by the Calculation Agent acting in good faith and in a commercially reasonable manner and, in either case, the Issuer's obligations shall be deemed fully satisfied and discharged upon transfer of the necessary amounts in the relevant currency.</p> |
| Central Bank | Banco de México |
| Status of the Notes | The Notes are direct, unconditional and unsecured general obligations of the Issuer and rank equally with all other unsecured and unsubordinated indebtedness of the Issuer, except obligations that are subject to priorities or preferences. |
| Withholding Tax | All payments in respect of the Note will be made subject to deduction of withholding for or on account of any present or future taxes of whatever nature and the Issuer shall not be required to gross up for any taxes. |
| Denomination | MXN1,000,000 specified denomination per note |

| | |
|----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Business Days | For purposes of the Scheduled Maturity Date, Maturity Date, each Interest Payment Date, each Valuation Date, the Credit Event Payment Date Mexico City, New York and London; for all other purposes New York and London (unless otherwise specified) |
| Listing | Application will be made to list in the London Stock Exchange. Application will also be made to list the Notes in the Sistema Internacional de Cotizaciones (SIC) of the Bolsa Mexicana de Valores. |
| ISIN | XS0388846114 |
| Common Code | 038884611 |
| Rating | Expected to be rated Aa2 by Moody's upon issuance. |
| Clearing | Euroclear, Clearstream, and Indeval |
| Governing Law | English |
| Additional Selling and Transfer Restrictions | THE NOTES WILL NOT BE AND ARE NOT INTENDED TO BE REGISTERED IN THE SECURITIES SECTION OF THE MEXICAN NATIONAL SECURITIES REGISTRY (REGISTRO NACIONAL DE VALORES), AND, THEREFORE, THE NOTES ARE NOT AND MAY NOT BE OFFERED PUBLICLY IN MEXICO, AND MAY NOT BE THE SUBJECT OF BROKERAGE ACTIVITIES (WITHIN THE MEANING OF THE MEXICAN SECURITIES MARKET LAW) WITHIN MEXICO. THE NOTES MAY BE THE SUBJECT OF A PRIVATE PLACEMENT IN MEXICO, PURSUANT TO ARTICLE 8 OF THE SECURITIES MARKET LAW IN EFFECT LOCALLY. |

Defined Terms

Capitalised terms not defined in this termsheet are defined in the 2000 ISDA Definitions and the 2003 ISDA Credit Derivatives Definitions as supplemented by the May 2003 Supplement (as published by the International Swaps and Derivatives Association, Inc.) (the "Definitions"), subject to amendment as set out herein and in the Credit Provisions Annex (the "Credit Annex") attached. In the event of any inconsistency between the Definitions, the Credit Annex and this termsheet, this termsheet will govern.

Risk Disclosure

A prospective purchaser of the Notes should have such knowledge and experience in financial and business matters and expertise in assessing credit risk that it is capable of evaluating the merits, risks and suitability of investing in the Notes in the context of the investor's financial situation. Investment in the Notes is suitable only for investors who can bear the risks associated with a lack of liquidity in the Notes and the financial and other risks associated with an investment in the Notes. A prospective purchaser shall be responsible for assessing the legality and suitability of an investment by it in the Notes.

A prospective purchaser of the Notes should consult with its own legal, regulatory, tax, business, investment, financial and accounting advisers to the extent that it deems necessary, and make its own investment, hedging and trading decisions including decisions regarding the suitability of this investment based upon their own judgement and upon advice from such advisers as they deem necessary and not upon any view expressed by the Issuer, JPMorgan, the Calculation Agent or any of their affiliates.

JPMorgan Chase & Co. and its affiliates do not provide tax advice. Accordingly, any discussion of U.S. tax matters contained herein (including any attachments or documents incorporated by reference herein) is not intended or written to be used, and cannot be used, in connection with the promotion, marketing or recommendation by anyone unaffiliated with JPMorgan Chase & Co. of any of the matters addressed herein or for the purpose of avoiding U.S. tax-related penalties.

In addition, a prospective purchaser of the Notes should carefully consider all risks associated with any investment in the Notes, including but not limited to the following:

- (i) Payments are subject to Issuer default risk. The obligations are not guaranteed or insured by any government agency and the investor will have no recourse against any other member of the J.P. Morgan Chase & Co. group.*
- (ii) There may exist at times only limited markets for the Notes and for the obligations of the Reference Entity or Entities to which the Notes are linked and of the Issuer, resulting in low or non-existent volumes of trading in the Notes and such obligations, and therefore a lack of liquidity and price volatility of the Notes and such obligations;*
- (iii) The Notes may not benefit from the same ratings assigned to other obligations issued or entered into by the Issuer or the Issuer;*
- (iv) No person has been authorised to give any information or make any representation not contained in or not consistent with this termsheet, or any other information supplied in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, JPMorgan, the Calculation Agent or any of their affiliates. The Issuer, the Dealer and their Affiliates will not provide any information and make no representation regarding the Reference Entity. Each investor must make an independent investigation of the Reference Entity and shall not rely on JPMorgan or its affiliates when making an investment decision.*

Concerning the Calculation Agent:

- (v) All calculations and determinations made by the Calculation Agent in relation to the Notes shall (save in the case of manifest error at the time the relevant determination is made) be final and binding on the Issuer, the Trustee, the agents appointed under the Agency Agreement and the Noteholders.*
- (vi) In selecting any Reference Obligations hereunder, the Calculation Agent is under no obligation to the Noteholders or any other person and, provided that the obligation selected meets the criteria in the definition of "Reference Obligations", is entitled, and indeed will endeavour, to select obligations with the highest price of any obligations which meet such criteria. As a result of any such selection, the Calculation Agent (in whatsoever capacity) will not be liable to account to the Noteholders or any other person for any profit or other benefit to it or any of its affiliates which may result directly or indirectly from any such selection;*

Potential Conflicts of Interest

Not for distribution in the United States or to U.S. persons.

The Issuer, the Dealer and their affiliates trade the securities of the Reference Entity for their accounts and for other accounts under their management. The Dealer and its affiliates may also issue or underwrite or assist unaffiliated entities in the issuance or underwriting of other securities or financial instruments with returns linked to the performance of the Reference Entity. To the extent that the Issuer, the Dealer, the Calculation Agent or one of their affiliates serves as issuer agent or underwriter for such securities, financial instruments, its or their interests with respect to such products may be adverse to those of the holders of the Notes. Any of these trading activities could potentially affect the level of the obligations of the Reference Entity.

In selecting a substitute Reference Entity, the applicable interest rate under certain circumstances, any Valuation Date, any Quotation Amount or any Valuation Time or in making any other selection in accordance with the terms of the Notes, the Calculation Agent is under no obligation to the Noteholders or any other person and provided that the relevant selection meets the criteria specified, the Calculation Agent (in whatsoever capacity) will not be liable to account to the Noteholders, the Couponholders or any other person for any profit or other benefit to it or any of its affiliates which may result directly or indirectly from any such selection.

Mexican Peso exchange risk

The Notes are denominated and, unless a Convertibility Event has occurred, payable in Mexican Pesos. Currency exchange rates may be volatile and will affect the return to the holder of the Notes of principal if their operative currency is a currency other than Mexican Pesos or, in the event of a Convertibility Event, a payment in U.S. dollars is made. The movement of the currency exchange rates could result in any U.S. dollar amount being less than the initial equivalent aggregate nominal amount invested.

The Government of Mexico can from time to time intervene in the foreign exchange market. These interventions or other governmental actions could adversely affect the value of the Notes in U.S. dollars, as well as the actual yield (in U.S. dollar terms) on the Notes and, if a payment in U.S. dollars is made due to a Convertibility Event, in the amount payable at maturity. Even in the absence of governmental action directly affecting currency exchange rates, political or economic developments in Mexico or elsewhere could lead to significant and sudden changes in the exchange rate between the Mexican Peso and the U.S. dollar.

No tax gross-up on payments

Repayment of all or any part of your investment in the Notes and payment at maturity of any additional amount due in respect of your Note will be made subject to applicable withholding taxes (if any). Consequently, the Issuer will not be required to pay any further amounts in respect of your Notes in the event that any taxes are levied on such repayment or payment.

The return on your note is, in part, linked to whether a Credit Event occurs with respect to the Reference Entity

The return on your note will be based primarily on, and contingent on, whether a Credit Event occurs with respect to the Reference Entity. If you hold your note to maturity and if a Credit Event does not occur, you will only receive the Redemption Amount.. Additionally, if you decided to unwind your note prior to maturity with us, such unwind price will be determined by us in our sole and absolute discretion, and you may receive less than par, depending on a number of factors, including but not limited to the time to maturity and the current credit spread on the Reference Entity.

Secondary Market

The Issue Price may be more than the market value of the securities as at the Issue Date, and the price, if any, at which J.P. Morgan Securities Inc., ("JPMSI") J.P. Morgan Securities Ltd ("JPMSL"). or any other person is willing to purchase the securities in secondary market transactions is likely to be lower than the Issue Price. In particular, the Issue Price may take into account amounts the hedging of the Issuer's obligations under the securities, and secondary market

prices may exclude such amounts. In addition, while the proprietary pricing models of JPMSI and JPMSL are based on well recognized financial principles, other market participants' pricing models may differ or produce a different result.

Our credit ratings, financial condition and results of operations may affect the value of the notes

Actual or anticipated changes in our current credit ratings, as well as our financial condition or results of operations may significantly affect the market value of the notes. However, because the return on the notes is dependent upon factors in addition to our ability to pay our obligations under the notes (such as the credit of the Reference Entity), an improvement in our credit ratings, financial condition or results of operations is not expected to have a positive effect on the market value of the notes. These credit ratings relate only to our creditworthiness, do not affect or enhance the likely performance of the notes and are not indicative of the risks associated with the notes or an investment in the Reference Entity. A rating is not a recommendation to buy, sell or hold notes and may be subject to suspension, change or withdrawal at any time by the assigning rating agency. Furthermore, our credit rating may not reflect the potential impact of the various risks that could affect the market value of the notes.

The following amendments shall apply in relation to the Trading Standards Annex and the Credit Annex:

1. All references to “Deliverable Obligations” shall be deemed to be to “Reference Obligations”
2. References to “Section 3.9 of the 2003 definitions” shall be read as references to “Multiple Credit Event Notices”
3. Where the Notes are physically settled following the occurrence of a Credit Event as more particularly provided in the Notes the terms in the Trading Standards Annex specified under the heading “Physical Settlement” shall not apply.
4. Business Day shall be deemed to be a reference to a Payment Business Day or Valuation Business Day as the context so requires.
5. The terms in the Trading Standards Annex (if any) under the headings “Grace Period Extension” and “Amendment for Grace Period Extension” shall not apply but without prejudice to the relevant provisions of the Pricing Supplement or, as the case may be, the Confirmation together, in each case, with this Schedule and Credit Annex.

NORTH AMERICAN TRADING STANDARDS ANNEX.

Business Day: London and New York

Credit Events: The following Credit Events shall apply with respect to Reference Entities to which North American Trading Standards apply:

Bankruptcy (except with respect to any Reference Entity that is a Sovereign)

Failure to Pay

Payment Requirement: USD 1,000,000

Restructuring

Multiple Holder Obligation: Applicable

Default Requirement: USD 10,000,000

Restructuring Maturity Limitation and Fully Transferable Obligation: Applicable

Obligation(s): For the purposes of the table below;

"Yes" shall mean that the relevant selection is applicable; and

"No" shall mean that the relevant selection is not applicable.

| | Obligation Categories | | Obligation Characteristics |
|------------|------------------------------|-----------|----------------------------------------------------|
| No | Payment | No | Not Subordinated |
| Yes | Borrowed Money | No | Specified Currency - Standard Specified Currencies |
| No | Reference Obligation(s) Only | No | Not Sovereign Lender |
| No | Bond | No | Not Domestic Currency |
| No | Loan | No | Not Domestic Law |
| No | Bond or Loan | No | Listed |
| | | No | Not Domestic Issuance |

Excluded Obligations: None

All Guarantees: Not Applicable

Deliverable Obligation(s): For the purposes of the table below;

"Yes" shall mean that the relevant selection is applicable;
and
"No" shall mean that the relevant selection is not applicable

| Deliverable Obligation Categories | Deliverable Obligation Characteristics |
|--------------------------------------------------|----------------------------------------------------------------------------|
| No Payment | Yes Not Subordinated |
| No Borrowed Money | Yes Specified Currency - Standard Specified Currencies |
| No Reference Obligation(s) Only | No Not Sovereign Lender |
| No Bond | No Not Domestic Currency |
| No Loan | No Not Domestic Law |
| Yes Bond or Loan | No Listed |
| | Yes Not Contingent |
| | No Not Domestic Issuance |
| | Yes Assignable Loan |
| | Yes Consent Required Loan |
| | No Direct Loan Participation Qualifying Participation Seller: |
| | Yes Transferable |
| | Yes, 30 years Maximum Maturity |
| | No Accelerated or Matured |
| | Yes Not Bearer |

Excluded Deliverable Obligations: None

Deliverable Obligations: Exclude Accrued Interest

Section 3.9 of the 2003
Definitions: Applicable

Physical Settlement: Where Physical Settlement is applicable the following terms shall also apply:

Physical Settlement Period: As specified in Section 8.6 of the 2003 Definitions, but in no event longer than 30 Business Days.

Additional Condition to Settlement: Notice of Physical Settlement.

Cap on Settlement Fallback Not Applicable

CREDIT ANNEX TO THE TERMSHEET

CREDIT AND VALUATION PROVISIONS

Capitalised terms used in this section and not otherwise defined elsewhere in this Termsheet, shall, subject to the terms hereof, have the meanings given to them in the 2003 ISDA Credit Derivatives Definitions as supplemented by the May 2003 Supplement (the “2003 Definitions”). For the purposes only of determining whether an obligation satisfies the definition of Reference Obligation it shall be deemed that each reference in the 2003 Definitions to (a) Delivery Date shall be deemed to be a reference to the Valuation Date, (b) Reference Obligation shall be deemed to be a reference to Benchmark Obligation, and (c) Physical Settlement shall be deemed to be a reference to Cash Settlement.

This is a summary of certain provisions only of the Credit Provisions Annex that will be set out in the definitive transaction documentation (the “Credit Provisions”), and is qualified in its entirety by the more detailed provisions of the Credit Provisions.

Credit Event: *Credit Event* means the determination by the Calculation Agent that Publicly Available Information exists confirming the existence or occurrence on or before the Credit Observation End Date in respect of any Reference Entity or any Obligation of any Reference Entity of any of the events specified as being Credit Events applicable to such Reference Entity in the relevant Trading Standards Annex except where, if Failure to Pay or Repudiation/Moratorium are applicable, the Credit Event is a Failure to Pay or Repudiation/Moratorium following a Potential Failure to Pay or Potential Repudiation/Moratorium (as the case may be) which existed at the Credit Observation End Date, where the Publicly Available Information may confirm the existence or occurrence after the Credit Observation End Date of the relevant event.

Potential Failure to Pay: Unless specified otherwise in the Termsheet, Applicable

Potential Repudiation/Moratorium: If Repudiation/Moratorium is specified as a Credit Event in the Termsheet, Applicable

Valuation Date: *Valuation Date* means any Business Day selected in the sole discretion of the Calculation Agent from the date on or following which a Credit Event occurred to the 125th Business Day following the date on which a Credit Event occurred.

Restructuring Event: Where in the Trading Standards Annex relating to a Reference Entity Restructuring is specified as a Credit Event and “Multiple Credit Event Notices” is stated to be applicable, *Restructuring Event* means that following the occurrence of a Restructuring Credit Event the Calculation Agent may designate a series of Valuation Dates (or, throughout this definition, Last Permissible Physical Settlement Dates for Physically Settled Trades) each in respect of any part of the Credit Position of the relevant Reference Entity (but in aggregate not exceeding such Credit Position) up to 125 Business Days following the Scheduled Maturity Date.

For Single Name Transactions:

Upon such designation of a Valuation Date the Notes shall redeem in instalments, however, on any remaining portion not yet redeemed, all other Credit Events will still apply (including for the avoidance of doubt, Restructuring)

For First to Default Transactions:

Upon such designation of a Valuation Date the Notes shall redeem in instalments, however, on any remaining portion not yet redeemed, all other Credit Events will still apply in respect of the Reference Entity to which the Restructuring applies

For Linear Basket Transactions;

Upon such designation of a Valuation Date the Notes shall redeem in additional instalments, however, on any remaining portion not yet redeemed, all other Credit Events will still apply (including for the avoidance of doubt, Restructuring)

For Static Mezzanine Transactions:

In respect of any remaining portion of the Credit Position for which a Valuation Date has not been designated, all Credit Events will still apply (including for the avoidance of doubt, Restructuring)

Credit Observation Period: *Credit Observation Period* means the period from Trade Date to and including the Credit Observation End Date.

Credit Observation End Date: Credit Observation End Date means the Cut-off Date relating to the Scheduled Maturity Date or, as the case may be, Scheduled Termination Date or such other date as may be specified in the Termsheet.

Cut-off Date: *Cut-off Date* means in respect of any date which is an Interest Payment Date, the third Payment Business Day preceding such Interest Payment Date and in respect of any other date, (i) the third Payment Business Day preceding such date or, (ii) if applicable, the Early Valuation Date.

Obligation(s): *Obligation(s)* means (a) any obligation of a Reference Entity (either directly or as a provider of any Qualifying Affiliate Guarantee or, if in the Trading Standards Annex relating to such Reference Entity All Guarantees is Applicable, as provider of any Qualifying Guarantee of the Obligation Type and Obligation Characteristics specified in the Trading Standards Annex relating to such Reference Entity, and (b) each Benchmark Obligation, unless specified in the Termsheet as an Excluded Obligation.

Excluded Obligation: *Excluded Obligation* means any obligation of a Reference Entity specified as such or of a type described in the relevant Trading Standards Annex.

Dealers: *Dealers* means (A) as selected by the Calculation Agent in its sole discretion, at least five dealers in obligations of the type of obligations for which quotations are to be obtained (which may include any such dealer which is an affiliate of the Calculation Agent) or (B) any Dealer specified in the Termsheet.

Information for Valuation Purposes: The Calculation Agent shall be deemed to have provided sufficient information for the purposes of determining any Final Price with respect to any Reference Obligation (regardless of the form of the same), if it has provided the relevant Dealers with:

(a) a detailed description of the Reference Obligation, and

(b) in the event that such obligation is in the form of a Bond or Loan, the outstanding principal balance or Due and Payable Amount of the Reference Obligation and if available, the CUSIP or ISIN number (if such identifying number is not available, the rate and tenor of the Reference Obligation).

Default Requirement: *Default Requirement* means, unless otherwise specified in the Termsheet, U.S. \$10,000,000 or its equivalent in the currency of the relevant Obligation at the time of the Credit Event.

Payment Requirement: *Payment Requirement* means, unless otherwise specified in the Termsheet, U.S. \$1,000,000 or its equivalent in the currency of the relevant Obligation at the time of the Potential Failure to Pay or, as the case may be, Failure to Pay.

Publicly Available Information: *Publicly Available Information* means information that, in the sole discretion of the Calculation Agent, reasonably confirms any of the facts relevant to the determination that a Credit Event or a Potential Failure to Pay or a Potential Repudiation/Moratorium, as applicable, has occurred and which (i) has been published in or on not less than two Public Sources, regardless of whether the reader or user thereof pays a fee to obtain such information; provided that, if the Calculation Agent or any of its Affiliates is cited as the sole source of such information, then such information shall not be deemed to be Publicly Available Information unless such party or its Affiliate is acting in its capacity as trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation, (ii) is information received from or published by (A) a Reference Entity (or a Sovereign Agency in respect of a Reference Entity which is a Sovereign) or (B) a trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation, (iii) is information contained in any petition or filing instituting a proceeding described in Section (d) of the Bankruptcy definition against or by a Reference Entity or (iv) is information contained in any order, decree, notice or filing, however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body.

In the event that the Calculation Agent is (i) the sole source of information in its capacity as trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation and (ii) a holder of the Obligation with respect to which a Credit Event has occurred, the Calculation Agent shall also provide to the Issuer a certificate signed by a Managing Director (or other substantively equivalent title) of the Calculation Agent, which shall certify the occurrence of a Credit Event with respect to a Reference Entity.

Any party to the transaction receiving Publicly Available Information as set out in parts (ii), (iii) and (iv) of the first paragraph above may assume that such information has been disclosed to it without violating any law, agreement or understanding regarding the confidentiality of such information and that the party delivering such information has not taken any action or entered into any agreement or understanding with the Reference Entity or any Affiliate of the Reference Entity that would be breached by, or would prevent, the disclosure of such information to third parties.

Publicly Available Information need not state (i) in relation to Section 2.25 of the 2003 Definitions, the percentage of Voting Shares owned, directly or indirectly, by the Reference Entity and (ii) that such occurrence (A) has met the Payment Requirement or Default Requirement, (B) is the result of exceeding any applicable Grace Period or (C) has met the subjective criteria specified in Potential Failure to Pay, Potential Repudiation/Moratorium or in certain Credit Events.

Once Publicly Available Information exists that an event has occurred in respect of any Reference Entity or any Obligation, then such event will be deemed to continue unless Publicly Available Information exists to the effect that such event in respect of the relevant Reference Entity or Obligation has been cured. In the absence of any Publicly Available Information to the effect that any such event has been cured coming to the notice of the Calculation Agent, the Calculation Agent shall be entitled to assume that such event is continuing for the purposes of determining whether any cure has occurred within the Grace Period and the Calculation Agent shall determine the existence or occurrence of a Potential Failure to Pay, Potential Repudiation/Moratorium or Credit Event accordingly. The Calculation Agent shall make reasonable efforts to establish whether Publicly Available Information exists to the effect that the relevant event has been cured.

Public Source: *Public Source* means each Additional Public Source and each of Bloomberg Service, Reuters Monitor Money Rates Services, Dow Jones News Wire, Wall Street Journal, New York Times, Nihon Keizai Shinbun, Asahi Shinbun, Yomiuri Shinbun, Financial Times, La Tribune, Les Echos and The Australian Financial Review (and successor publications), the main source(s) of business news in the country in which the Reference Entity is organised and any other internationally recognised published or electronically displayed news sources.

Reference Obligation(s): *Reference Obligation(s)* in relation to any Reference Entity means an obligation selected by the Calculation Agent in its sole discretion on or before the relevant Valuation Date that is either:

- (i) the Benchmark Obligation, if any, specified for that Reference Entity in the Schedule; or
- (ii) an obligation that on the relevant Relevant Date would satisfy the definition of Applicable Reference Obligation Category and Characteristics set out below; or
- (iii) a Sovereign Restructured Deliverable Obligation;

all as more particularly described in the 2003 Definitions (with, as applicable, such consequent amendments as are necessary to reflect cash settlement provisions in place of the physically settled provisions provided for in the relevant sections of the 2003 Definitions).

The Calculation Agent is under no obligation to the Noteholders, the Couponholders or any other person and, provided that the obligation selected meets the criteria in the definition of "Reference Obligations", [[is entitled, and indeed will endeavour, to select obligations with the lowest price of any obligations which meet such criteria]]. In making any such selection, the Calculation Agent will not be liable to account to the Noteholders, the Couponholders or any other person for any profit or other benefit to it or any of its affiliates which may result directly or indirectly from any such selection.

In the event that the Reference Obligation selected by the Calculation Agent has been converted, exchanged or otherwise transformed into any other type of property, including equity, then that property shall be deemed to constitute the Reference Obligation. The Calculation Agent shall determine the Final Price of that property in accordance with the valuation provisions, modified by the Calculation Agent only to the extent necessary to make them compatible with the type and amount of property being so valued. Any such Final Price shall be deemed to be the Final Price of the Reference Obligation for the purposes of the relevant transaction.

Relevant Date: *Relevant Date* means, in relation to an Obligation, the date of the event the subject of the Credit Event and in relation to a Reference Obligation, the Valuation Date

| | |
|---------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Applicable Reference Obligation Category and Characteristics: | As specified in the relevant Trading Standards Annex. In respect of a Reference Entity, Restructuring Maturity Limitation and Fully Transferable Obligation or Restructuring Maturity Limitation and Conditionally Transferable Obligation shall apply where specified as such in the relevant Trading Standards Annex. |
| Reference Price: | 100% |
| Failure to Pay: | <i>Failure to Pay</i> has the meaning ascribed to such term in the 2003 Definitions. |
| Bankruptcy: | <i>Bankruptcy</i> has the meaning ascribed to such term in the 2003 Definitions. |
| Repudiation/Moratorium: | <i>Repudiation/Moratorium</i> shall have the meaning given to such term in the 2003 Definitions, provided that the events described in part (i) of such definition must have occurred on or prior to the Credit Observation End Date. |
| Repudiation/Moratorium Evaluation Date: | <i>Repudiation/Moratorium Evaluation Date</i> shall have the meaning given to such term in the 2003 Definitions, provided that for the purposes of such definition (i) a Potential Repudiation/Moratorium must have occurred on or prior to the Credit Observation End Date and (ii) references to the Termination Date will not apply. |
| Potential Repudiation/Moratorium: | <i>Potential Repudiation/Moratorium</i> means the determination by the Calculation Agent that Publicly Available Information exists confirming the occurrence of an event described in clause (i) of the definition of Repudiation/Moratorium. |
| Potential Failure to Pay: | <i>Potential Failure to Pay</i> means the determination by the Calculation Agent that Publicly Available Information exists confirming the existence or occurrence of a failure on or before the Credit Observation End Date by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations, without regard to any grace period or any conditions precedent to the commencement of any grace period applicable to such Obligations, in accordance with the terms of such Obligations at the time of such failure. |
| Restructuring: | Where in the Trading Standards Annex relating to a Reference Entity Restructuring and Multiple Holder Obligation are stated to be applicable, the occurrence of, agreement to or announcement of any of the events described in part (a)(i) to (v) of the definition of Restructuring shall not be a Restructuring unless the Obligation in respect of any such events is a Multiple Holder Obligation. |

Restructuring shall have the meaning given to such term in the 2003 Definitions, provided that:

(i) with regard to the reference to the date on which the terms of an Obligation are in effect in part (a) of the definition of Restructuring, the relevant date shall be the later of (i) (x) the Trade Date or (y) if later, the date on which the related entity became a Reference Entity and (ii) the date as of which the relevant Obligation is issued or incurred;

(ii) with regard to part (c) of the definition of Restructuring, (a) Qualifying Affiliate Guarantee will apply in the case of a Reference Entity in respect of which "All Guarantees" is not stated to be applicable in the relevant Trading Standards Annex and (b) Qualifying Guarantee will apply in the case of a Reference Entity in respect of which "All Guarantees" is stated to be applicable in the relevant Trading Standards Annex; and

(iii) the Calculation Agent will make any determination required under parts (b) or (c) of the definition of Restructuring in its sole discretion.

Grace Period:

Grace Period means:

(1) subject to clauses (2) and (3), the applicable grace period with respect to payments under the relevant Obligation under the terms of such Obligation in effect as of the later of (a) (x) the Trade Date or (y) if later, the date the relevant entity first becomes a Reference Entity and (b) the date as of which such Obligation is issued or incurred;

(2) if with respect to a Reference Entity in respect of which Potential Failure to Pay applies, a Potential Failure to Pay has occurred on or prior to the Credit Observation End Date and the applicable grace period cannot, by its terms, expire on or prior to the Credit Observation End Date, the Grace Period shall be deemed to be the lesser of such grace period and the period specified as such in the relevant Trading Standards Annex or, if no period is specified, thirty calendar days;

(3) if, at such date referred to in (1) above, no grace period with respect to payments or a grace period with respect to payments of less than three Grace Period Business Days is applicable under the terms of such Obligation, a Grace Period of three Grace Period Business Days shall be deemed to apply to such Obligation; provided that unless the Reference Entity is one in respect of which Potential Failure to Pay applies, such deemed Grace Period shall expire no later than the Credit Observation End Date; and

(4) in the event that the Calculation Agent is not able to ascertain the Grace Period applicable with respect to any Obligation, it shall be deemed that the Grace Period with respect to that Obligation is thirty days. If the terms of the relevant Obligations are not publicly available such that the length of any grace period, conditions precedent to the commencement of any such grace period or whether any such conditions are satisfied cannot be established, it shall be deemed that the Grace Period is a period of thirty days from the due date for payment and all conditions precedent to the commencement thereof were satisfied on such due date.

Grace Period Business Day shall have the meaning given to such term in the 2003 Definitions.

Final Price: For the purpose of determining the Final Price, each Full Quotation and, if applicable, Weighted Average Quotation will be obtained and expressed as a percentage with respect to a Valuation Date in the manner that follows:

The Calculation Agent shall attempt to obtain Full Quotations with respect to each Valuation Date. If the Calculation Agent is unable to obtain at least two such Full Quotations on the same Business Day within three Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the fifteenth Business Day following the relevant Valuation Date) the Calculation Agent shall attempt to obtain such Full Quotations from at least five Dealers and, if at least two such Full Quotations are not available, a Weighted Average Quotation.

If the Calculation Agent is able to obtain two or more Full Quotations or a Weighted Average Quotation on the same Business Day on or prior to the fifteenth Business Day following a Valuation Date, the Calculation Agent shall use such Full Quotations or Weighted Average Quotation to determine the Final Price in accordance with the specified Valuation Method.

If the Calculation Agent is unable to obtain two or more Full Quotations or a Weighted Average Quotation on the same Business Day on or prior to the fifteenth Business Day following a Valuation Date, the Final Price shall be based on any Full Quotation obtained from a Dealer at the Valuation Time on such fifteenth Business Day or, if no Full Quotation is obtained, the Weighted Average Quotations obtained on such fifteenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be 100% for the balance of the Quotation Amount for which firm quotations were not obtained on such day.

Replacement of Benchmark Obligation: In the event that (i) a Benchmark Obligation specified for any Reference Entity is redeemed in whole or (ii) in the opinion of the Calculation Agent (A) the aggregate amounts due under any Benchmark Obligation have been materially reduced by redemption or otherwise (other than due to any scheduled redemption, amortisation or prepayments, (B) any Benchmark Obligation is an Underlying Obligation with a Qualifying Guarantee of a Reference Entity and, other than due to the existence or occurrence of a Credit Event, the Qualifying Guarantee of that Reference Entity is no longer a valid and binding obligation of such Reference Entity enforceable in accordance with its terms, or (C) for any reason, other than due to the existence or occurrence of a Credit Event, any Benchmark Obligation is no longer an obligation of Reference Entity, the Calculation Agent may, at any time after such event identify an Obligation to replace such Benchmark Obligation.

Any substitute Benchmark Obligation shall be an Obligation that (1) ranks pari passu or, if no such Obligation exists (in the Calculation Agent's discretion) ranks senior in priority of payment with the Benchmark Obligation as of the later of (A) (x) the Trade Date specified in the related Termsheet or (y) the date on which the related entity becomes a Reference Entity and (B) the date on which such Benchmark Obligation was issued or incurred (and not reflecting any change to such ranking in priority of payment after such date) and (2) in the opinion of the Calculation Agent preserves the economic equivalent as closely as practicable as determined by the Calculation Agent of the delivery and payment obligations of the parties under the Notes (3) is an obligation of the Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee, or if All Guarantees is specified as Applicable in the Trading Standards Annex relating to such Reference Entity, as provider of any Qualifying Guarantee.

Common Successor: The Credit Position of a Reference Entity shall be as set out in the Termsheet, subject to the following provisions:

(1) If as a result of a Succession Event one or more Successors are identified in

respect of any Reference Entity (the “**Original Reference Entity**”) which has a Credit Position greater than zero then on and with effect from either (i) the legally effective date of the Succession Event or (ii) in the case of a First to Default Transaction where the Replacement Entity is not a Successor, the date on which the Calculation Agent gives notice to the parties of its selection (each the “**Succession Date**”);

(a) Each such Successor will be included as a Reference Entity in the list of Reference Entities and shall be deemed to be a Reference Entity;

(b) in the event that the old Reference Entity is not identified as a Successor it shall be deleted from the list of Reference Entities, provided that, notwithstanding that the determination that a Credit Event has occurred is made, or the Publicly Available Information is dated, on or after the relevant Succession Date, if the relevant Failure to Pay, Repudiation/Moratorium, Restructuring, Obligation Acceleration or Bankruptcy (as applicable) occurred on or before the Succession Date, a Credit Event may occur with respect to any such Reference Entity notwithstanding the subsequent deletion of that Reference Entity;

(c) in respect of a Successor that was not previously a Reference Entity, any Failure to Pay, Repudiation/Moratorium, Restructuring, Obligation Acceleration or Bankruptcy (as applicable) which occurs prior to the Succession Date shall not constitute a Credit Event notwithstanding that Publicly Available Information with respect thereto is dated on or after the Succession Date, provided that a Credit Event may occur with respect to any such Successor in relation to any Credit Event occurring with respect to that entity on or after the Succession Date (including a Failure to Pay which occurs on or after the Succession Date in respect of a Potential Failure to Pay which occurs prior to the Succession Date), notwithstanding the date that such Successor is identified by the Calculation Agent; and

(d) the Credit Position of each Successor shall be equal to sum of:

(i) the Credit Position of the Original Reference Entity divided by the number of Successors (including the Original Reference Entity, if applicable); and

(ii) in the event that any Successor was a Reference Entity immediately prior to the relevant Succession Event and was not the Original Reference Entity, the Credit Position of that Successor immediately prior to the relevant Succession Event.

(2) With respect to the Original Reference Entity and any Successor to that entity, in the event that one (but not both) of those entities has a Benchmark Obligation specified that is Subordinated and the Benchmark Obligation of the other entity is not Subordinated, then the Successor Reference Entity shall be treated as one Reference Entity with a Credit Position equal to the sum of the relevant Credit Positions except that upon the occurrence of a Credit Event with respect to that Successor, its Credit Position shall be apportioned in accordance with the following terms, such that a portion of its Credit Position will be determined on the basis of a Subordinated Obligation and a portion of its Credit Position will be settled on the basis of an Obligation that is not a Subordinated Obligation:

(a) the Credit Position of the relevant Successor, as determined in accordance with subsection (1), shall be divided into the portion of that Credit Position attributable to the entity in respect of which a Subordinated Obligation was specified as a Benchmark Obligation (the “**Subordinated Credit Position**”) and the portion of that Credit Position attributable to the entity in respect of which an obligation that was not a Subordinated Obligation was specified as the Benchmark Obligation (the “**Senior Credit Position**”);

- (b) in the event that a Credit Event occurs with respect to that Successor, the Instalment Amount calculated with respect thereto shall be equal to the aggregate of an Instalment Amount calculated with respect to the Subordinated Credit Position and a Benchmark Obligation that is a Subordinated Obligation, and an Instalment Amount calculated with respect to the Senior Credit Position and a Benchmark Obligation that is not a Subordinated Obligation.
- (c) In the event that such Successor is subject to, or involved in, any further Succession Event, the Credit Position of such Successor (or the Successor to that entity as the case may be) shall be determined in accordance with the foregoing, taking into account and maintaining any distinction between the Subordinated Credit Position and Senior Credit Position already established for the relevant entity.
- (d) For the avoidance of doubt (i) a Credit Event may occur on one occasion only with respect to any Reference Entity, notwithstanding the apportionment of its Credit Position pursuant to the foregoing, and (ii) except for the purposes of determining the Redemption Amount or, as the case may be, the Instalment Amount or the Triggered Reference Entity Loss, each reference in this Credit Annex to "Credit Position" shall be deemed to be a reference to the aggregate of the Subordinated Credit Position and Senior Credit Position with respect to the relevant entity, unless the context requires otherwise.
- (e) For this purpose the Credit Position of any relevant Reference Entity which is a Defaulted Credit shall be zero, except in the case of a Reference Entity in respect of which a Restructuring Credit Event has occurred and in respect of which "Multiple Credit Event Notices" is specified as being applicable in the relevant Trading Standards Annex where the Credit Position shall be the Remaining Credit Position.

Defaulted Credit: *Defaulted Credit* means on any day, each Reference Entity in respect of which a Credit Event Date has occurred or, in the case of a Reference Entity in respect of which "Multiple Credit Event Notices" is stated to be applicable in the relevant Trading Standards Annex and in respect of which a Restructuring Credit Event has occurred, and subject to the terms of the Credit Provisions, in respect of which the Calculation Agent has given a Valuation Date Designation Notice to the Issuer.

Valuation Date Designation Notice: *Valuation Date Designation Notice* means notice of the Calculation Agent's selection of a Valuation Date for a Designated Amount in respect of a Reference Entity.

Remaining Credit Position: *Remaining Credit Position* means, in respect of each Reference Entity in respect of which "Multiple Credit Event Notices" is specified as being applicable in the relevant Trading Standards Annex at any time, the initial Credit Position of such Reference Entity, less the aggregate of all Designated Amounts (if any) in respect of such Reference Entity.

Designated Amount: *Designated Amount* means, in respect of a Reference Entity in respect of which a Credit Event has occurred, the amount of such Reference Entity's Credit Position as the Calculation Agent determines in its absolute discretion to be subject to a Valuation Date, provided that the Designated Amount shall be in an amount of at least the Minimum Designated Amount specified in the Termsheet or an integral multiple thereof.