

EXPLANATORY STATEMENT

PART ONE - OVERVIEW

Background to the Proposal

On 2 October 2006, JPMorgan Chase & Co. agreed to transfer part of its global banking and corporate trust and agency business carried on by it and various group subsidiaries and The Bank of New York Company, Inc. agreed to acquire (or to arrange for its subsidiaries to acquire) that business in exchange for the sale of its branch banking network centred in New York. Steps are being taken in the many jurisdictions in which this business is and has been conducted to transfer the functions performed and the contracts relating to those functions to The Bank of New York Company, Inc or its subsidiaries.

The UK Court Process

This Explanatory Statement summarises the proposed terms for the transfer of a part of the banking and corporate trust and agency business carried on by JPMorgan Chase Bank N.A., London Branch ("**JPMorgan**"), as further described below (the "**Business**"), to The Bank of New York ("**BNY**").

The transfer terms are set out in a banking business transfer scheme (the "**Scheme**") which has been submitted to the High Court of Justice in England and Wales (the "**Court**") for sanction under Part VII of the Financial Services and Markets Act 2000 (the "**Act**"), as explained below.

Effect of the Court order

The effect of the Court order sanctioning the Scheme in England will be to transfer to BNY any roles carried out by JPMorgan under various contracts as part of its corporate trust and agency business to the extent that they are carried out in the United Kingdom by JPMorgan's London Branch, and to transfer to BNY the transferring roles, the contractual rights and obligations of JPMorgan under the contracts which create such roles, the security interests granted in favour of JPMorgan in relation to such contractual rights, the trusteeships in respect of which JPMorgan acts as a trustee and any related assets. Therefore, the Scheme provides for the transfer of such contracts, security interests and trusteeships through the Court order that would otherwise have to be novated or transferred individually with the involvement and consent of all contractual counterparties or beneficiaries.

It should be noted that JPMorgan's business in other jurisdictions where it has other branches or a representative office is expected to transfer on or after the Scheme becomes effective once additional formalities in those jurisdictions have been completed.

Further information

Persons wishing to obtain further information about the proposed Scheme should refer to the Scheme website at www.jpmorgan.com/visit/UK/corporatetrust/sale until the date on which the application for sanction of the Scheme has been heard by the Court, which is expected to be on 3 April 2007. In addition, a helpline has been set up with an automated answering system enabling interested parties to leave their details and to which employees of BNY (formerly of JPMorgan) who continue to service the Business will respond to individually.

Notice of the Scheme will also be published in the following:

- the London Gazette, the Edinburgh Gazette and the Belfast Gazette;
- the Daily Telegraph, the Financial Times and The Times; and
- leading publications for legal notices in Frankfurt, Milan, Luxembourg, and Ireland being the Frankfurter Allgemeine Zeitung, Il Sole 24 Ore, Luxembourg Wort and the Irish Independent respectively.

The Scheme will result in the Business being operated by BNY rather than JPMorgan. The Business will otherwise remain unchanged in all material respects. If you are a customer of the Business, no action is required of you in relation to the Scheme. Any person (including any person who is an employee of JPMorgan or BNY) who considers that he or she would be adversely affected by the carrying out of the Scheme is entitled to be heard by the Court pursuant to the Act.

PART TWO - SUMMARY OF THE SCHEME

1. INTRODUCTION

- 1.1 The formal transfer of the Business from JPMorgan, excluding, amongst other matters, those assets and liabilities described under the heading "Excluded Matters" below, will be effected by way of the Scheme which, under the Act, requires the sanction of the Court.
- 1.2 Subject to certain conditions being met, it is expected that the Scheme will take effect on or about 19 May 2007 (the "**Transfer Date**"). Certain aspects of the Business that are intended to transfer under the Scheme will not, for one reason or another, actually be transferred at the Transfer Date. An example of this would be any roles, contractual rights, security interests and trusteeships that are governed by the law of another jurisdiction. These would not transfer unless and until further steps as may be required for the transfer to become effective under the relevant law have been completed and are an example of what is referred to in the Scheme as Residual Assets or Residual Liabilities (see section 4 below entitled "Residual Assets/Liabilities"). Each date after the Transfer Date on which any impediment to the transfer of such Residual Assets or Residual Liabilities have been removed will be referred to as a "**Subsequent Transfer Date**". Thus, BNY will become the owner of the Business on the Transfer Date or Subsequent Transfer Dates, as applicable, in place of JPMorgan.

2. **THE TRANSFERRING BUSINESS**

- 2.1 The business that is transferring from JPMorgan to BNY includes trustee, fiscal agent/registrar, fiduciary, collateral agent and other agency functions that support services for corporate and municipal debt, structured finance services (ABS, MBS, conduits, SIVs and document custody), collateralized debt obligations (CDOs), common depository and specialised depository roles, Euro Commercial Paper and loan agency services. US Commercial Paper, Bankruptcy Deposit and Investment Services and Escrow services (other than those escrow services that are conducted in a capacity that forms part of the transferring business) are not included. For the purpose of the Scheme, the "Business" is the part of the business summarised above that resides within JPMorgan Chase Bank N.A., London Branch.
- 2.2 The trustee roles undertaken by JPMorgan are to be transferred to BNY under the Scheme, along with any security held by the trustee on behalf of third parties (see section 4.3 below for further information).
- 2.3 On or with effect from the Transfer Date or Subsequent Transfer Date, as applicable, and subject to the provisions of the Scheme, BNY will take over all rights, benefits, powers, remedies and liabilities of JPMorgan in relation to the Business, in place of JPMorgan. BNY will also be entitled to all defences, claims, counterclaims, set-offs and other rights under or in respect of the Business that would previously have been available to JPMorgan.

3. **EXCLUDED MATTERS**

- 3.1 The following assets and liabilities are not intended to transfer to BNY under the Scheme, in particular:
- 3.1.1 any business carried on by JPMorgan, except as described in the definition of "Business" in the Scheme (summarised under Section 2 above);
- 3.1.2 any assets or liabilities other than the "Business Assets" and "Business Liabilities" as defined in the Scheme, including those attributed to or connected with any JPMorgan branch, other than the London Branch; and
- 3.1.3 the duties and obligations of JPMorgan (London branch) in any capacity other than those contemplated in the definition of "Corporate Trust Capacity" within the Scheme (which in summary comprises JPMorgan (London Branch) acting in a trustee, registrar, agency, custodial or other similar capacity under a "Corporate Trust Agreement" within the Scheme, and any rights or duties arising from or in connection with any such capacities).

The definitions of "Excluded Business", "Excluded Assets" and "Excluded Liabilities" within the Scheme set out the full extent of the business, assets and liabilities that are not intended to transfer to BNY as part of the "Business".

4. **RESIDUAL ASSETS/LIABILITIES**

- 4.1 To the extent that the Business includes any element, either within relevant agreements or the associated assets or liabilities, that are governed by a foreign law, further and

additional steps may be necessary in addition to the order of the Court, to allow for the fully effective and enforceable transfer of all elements of such transaction from JPMorgan to BNY.

- 4.2 In relation to such transactions, as it will be necessary to take such further and additional steps prior to the effective transfer of such transactions and, as the timing of taking such further and additional steps is not fully ascertained at this stage, it would be preferable for the transfer of such transactions to occur on a Subsequent Transfer Date or a number of Subsequent Transfer Dates after any impediment to the effective transfer of such asset or liability has been removed.
- 4.3 The transfer of the role of trustee on unsecured and secured transactions from JPMorgan to BNY (irrespective of the law governing the trust document) will be delayed under the Court order (without affecting the transfer of any other role related to such transaction which does not require any further steps to be taken) unless and until any further steps that are required under any foreign law are taken with respect to the transfer of such a role and any related trust asset held by a trustee on trust for its beneficiaries at which time, such role and the related trust asset will transfer simultaneously.

5. **SPECIFIC PROVISIONS IN RESPECT OF CONTRACTS**

- 5.1 As more particularly described in the Scheme, on and with effect from the Transfer Date (or a Subsequent Transfer Date, as the case may be):
 - 5.1.1 BNY, contractual counterparties and persons with third party or equitable rights shall become entitled to the same rights under or pursuant to Contracts (as defined in the Scheme) as were available to, or against, each of JPMorgan and the relevant counterparty or third party, immediately prior to such date. Accordingly, such rights that were available to, or against, each counterparty and any third party as against JPMorgan prior to the Transfer Date (or any Subsequent Transfer Date, as applicable) shall no longer be available and shall have been transferred to BNY;
 - 5.1.2 in relation to each relevant Contract under which interest or other sums that relate to a period since the Transfer Date and that continue to be payable:
 - (a) BNY shall, on and with effect from the Transfer Date, account to the relevant persons whom such interest or other sums are payable for such interest or other sums;
 - (b) the person or persons from whom such interest or other sums are due and payable shall, on and with effect from the Transfer Date, account to BNY for such interest or other sums; and
 - (c) JPMorgan shall, on and with effect from the Transfer Date, account to BNY for any further or additional interest or other sums attributable or referable thereto to the extent that the same are received by JPMorgan;
 - 5.1.3 each reference in a Contract to an account of JPMorgan with another Person, or to an account of another Person with JPMorgan, shall be read as being or

including a reference to an account of BNY, which is subject to the same conditions and incidents as applied immediately prior to the Transfer Date and such account (including the account number, if applicable) shall be deemed for all purposes to be a single continuing account.

6. **REFERENCES**

6.1 On and with effect from the Transfer Date (or in the case of any Residual Asset or Residual Liability, a Subsequent Transfer Date), any reference in any Contract or other document or instrument relating to or referring to the Business to:

6.1.1 JPMorgan, will take effect as a reference to BNY and references to JPMorgan's contact details shall be read as being references to BNY's contact details;

6.1.2 directors, officers, representatives or employees or to any director, officer, representative or employee employed or engaged by JPMorgan, will take effect as a reference to the directors, officers, representatives or employees of BNY or to such director, officer, representative or employee of BNY as BNY may nominate for that purpose; and

6.1.3 a rate, charge, tariff or scale of fees or to terms or conditions published, determined, ascertained, varied or amended from time to time by JPMorgan shall mean that BNY shall have the same right under such contract, other document or instrument as JPMorgan had to publish, determine, ascertain, vary or amend such rates, charges, tariffs, scales of fees, terms or conditions published, determined, or ascertained.

7. **ADDITIONAL PROVISIONS IN RELATION TO THE BUSINESS**

7.1 The following provisions shall have effect in relation to the Business, or any part thereof and for these purposes the "**Relevant Date**" means the Transfer Date or any Subsequent Transfer Date as applicable:

7.1.1 any existing instruction, order, direction, mandate, power of attorney, authority, undertaking or consent given to or by JPMorgan in respect of the Business shall have effect, on and from the Relevant Date, as if given to or by BNY;

7.1.2 any order for payment of money drawn on or by, or given to, or accepted or endorsed by, JPMorgan, or payable at any place of business of JPMorgan, whether so drawn, given, accepted, endorsed or payable before, on or after the Relevant Date, shall have the same effect on and from the Relevant Date, as if it had been drawn on or by, or given to, or accepted or endorsed by BNY, or (as the case may be) as if the place of business at which it is payable were a place of business of BNY;

7.1.3 the custody of certain records (as further described in the Scheme) shall pass to BNY at and with effect from the Relevant Date.

8. **CONDUCT OF PROCEEDINGS**

- 8.1 If on or after the Transfer Date (or a Subsequent Transfer Date, as the case may be) there are judicial, quasi-judicial, administrative or arbitration proceedings (whether implemented, pending, threatened or otherwise) by or against JPMorgan in connection with the Business and those assets and liabilities that have transferred to BNY or that are Residual Assets or Residual Liabilities, the same shall be continued by or against BNY and BNY shall be entitled to all defences, counterclaims and rights of set-off that would have been available to JPMorgan in relation to the Business and those assets and liabilities that have transferred to BNY.

9. **DATA PROTECTION**

Under the terms of the Scheme, BNY will take over the rights, liabilities and obligations of JPMorgan in respect of personal information which related to the Business and which is subject to the Data Protection Act 1998. This means that BNY will become the data controller of such information and will be under the same duty to protect the confidentiality and privacy of such information as JPMorgan was when it was the data controller. As the new data controller, BNY will also be entitled to make use of any data protection consent given by a person to BNY, as if such consent had been to JPMorgan.

10. **MODIFICATION OF THE SCHEME**

- 10.1 Prior to the Court approving the Scheme, BNY may make any modification to the Scheme that JP Morgan will accept and that is approved or imposed by the Court.
- 10.2 Once the Court has approved the Scheme, any subsequent amendment to the Scheme (unless it is minor, technical or to correct a manifest error), must be approved by the Court. If any amendment is sought, the Financial Services Authority has the right to be heard by the Court in relation to the proposed amendment.

11. **COSTS OF THE SCHEME**

- 11.1 All the costs for implementing the Scheme will be paid as agreed between JPMorgan and BNY. No costs shall be borne by the customers of JPMorgan.

12. **GOVERNING LAW**

- 12.1 The Scheme is governed by English law.

13. **J.P.MORGAN TRUSTEE AND DEPOSITARY COMPANY LIMITED ("MTDL")**

Historically, JPMorgan has assumed the role of trustee through its London Branch or through one or more wholly owned subsidiaries. MTDL is one such subsidiary. MTDL cannot itself be transferred as it holds trustee roles which do not form part of the Business. The performance of trustee roles is integral to the Business and accordingly, JPMorgan and BNY seek that the Court's order provides for the transfer pursuant to the Scheme of the rights and obligations of MTDL which form part of the Business to BNY on the basis that it is within the Court's power to make ancillary orders under the Act.