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JPMORGAN CHASE & CO
Form FWP
April 08, 2015
Term sheet

Term Sheet to

To prospectus dated November 7, 2014,

Product Supplement No. 4a-I

prospectus supplement dated November 7, 2014 and

Registration Statement No. 333-199966

product supplement no. 4a-I dated November 7, 2014

Dated April 8, 2015; Rule 433

\$

Return Notes Linked to the MDAX® Index due April 27, 2016

General

The notes are designed for investors who seek exposure to the performance of the MDAX® Index, subject to the Index Adjustment Factor. Investors should be willing to forgo interest and dividend payments and, if the Index declines or if the Ending Index Level is not greater than the Initial Index Level by at least approximately 1.67768%, be willing to lose some or all of their principal. The notes are unsecured and unsubordinated obligations of JPMorgan Chase & Co. **Any payment on the notes is subject to the credit risk of JPMorgan Chase & Co.** Minimum denominations of \$10,000 and integral multiples of \$1,000 in excess thereof

Key Terms

Index: The MDAX® Index (Bloomberg ticker: MDAX) For additional information about the Index, see the information set forth in Appendix A to this term sheet.

Payment at Maturity: Payment at maturity will reflect the performance of the Index subject to the Index Adjustment Factor. Accordingly, at maturity, you will receive an amount per \$1,000 principal amount note calculated as follows:

$$\$1,000 \times (1 + \text{Index Return}) \times \text{Index Adjustment Factor}$$

Because the Index Adjustment Factor is 98.35%, you will lose some or all of your principal amount at maturity if the Index Return is less than approximately 1.67768%. For more information on how the Index Adjustment Factor can affect your payment at maturity, please see What Is the Total Return on the Notes at Maturity, Assuming a Range of Performances for the Index? in this term sheet.

Index Return: $\frac{\text{Ending Index Level} - \text{Initial Index Level}}{\text{Initial Index Level}}$

Index Adjustment Factor: 98.35%

Initial Index Level: The closing level of the Index on the Pricing Date

Ending Index Level: The arithmetic average of the closing levels of the Index on the Ending Averaging Dates

Pricing Date: On or about April 10, 2015

Original Issue Date (Settlement Date): On or about April 15, 2015

Ending Averaging Dates: April 18, 2016, April 19, 2016, April 20, 2016, April 21, 2016 and April 22, 2016

Maturity Date: April 27, 2016

CUSIP: 48125UNM0

Subject to postponement in the event of certain market disruption events and as described under General Terms of Notes Postponement of a Determination Date Notes Linked to a Single Underlying Notes Linked to a Single Underlying (Other Than a Commodity Index) and General Terms of Notes Postponement of a Payment Date in the accompanying product supplement no. 4a-I

Investing in the notes involves a number of risks. See Risk Factors beginning on page PS-8 of the accompanying product supplement no. 4a-I and Selected Risk Considerations beginning on page TS-3 of this term sheet.

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Neither the Securities and Exchange Commission (the SEC) nor any state securities commission has approved or disapproved of the notes or passed upon the accuracy or the adequacy of this term sheet or the accompanying product supplement, prospectus supplement and prospectus. Any representation to the contrary is a criminal offense.

	Price to Public (1)	Fees and Commissions (2)	Proceeds to Issuer
Per note	\$1,000	\$	\$
Total	\$	\$	\$

(1) See Supplemental Use of Proceeds in this term sheet for information about the components of the price to public of the notes.

(2) J.P. Morgan Securities LLC, which we refer to as JPMS, acting as agent for JPMorgan Chase & Co., will pay all of the selling commissions it receives from us to other affiliated or unaffiliated dealers. In no event will these selling commissions exceed \$7.50 per \$1,000 principal amount note. See Plan of Distribution (Conflicts of Interest) beginning on page PS-87 of the accompanying product supplement no. 4a-I.

If the notes priced today, the estimated value of the notes as determined by JPMS would be approximately \$984.60 per \$1,000 principal amount note. JPMS's estimated value of the notes, when the terms of the notes are set, will be provided by JPMS in the pricing supplement and will not be less than \$974.60 per \$1,000 principal amount note. See JPMS's Estimated Value of the Notes in this term sheet for additional information.

The notes are not bank deposits, are not insured by the Federal Deposit Insurance Corporation or any other governmental agency and are not obligations of, or guaranteed by, a bank.

April 8, 2015

Additional Terms Specific to the Notes

JPMorgan Chase & Co. has filed a registration statement (including a prospectus) with the SEC for the offering to which this term sheet relates. Before you invest, you should read the prospectus in that registration statement and the other documents relating to this offering that JPMorgan Chase & Co. has filed with the SEC for more complete information about JPMorgan Chase & Co. and this offering. You may get these documents without cost by visiting EDGAR on the SEC website at www.sec.gov. Alternatively, JPMorgan Chase & Co., any agent or any dealer participating in this offering will arrange to send you the prospectus, the prospectus supplement, product supplement no. 4a-I and this term sheet if you so request by calling toll-free 866-535-9248.

You may revoke your offer to purchase the notes at any time prior to the time at which we accept such offer by notifying the applicable agent. We reserve the right to change the terms of, or reject any offer to purchase the notes prior to their issuance. In the event of any changes to the terms of the notes, we will notify you and you will be asked to accept such changes in connection with your purchase. You may also choose to reject such changes, in which case we may reject your offer to purchase.

You should read this term sheet together with the prospectus, as supplemented by the prospectus supplement, each dated November 7, 2014, relating to our Series E medium-term notes of which these notes are a part, and the more detailed information contained in product supplement no. 4a-I dated November 7, 2014. **This term sheet, together with the documents listed below, contains the terms of the notes and supersedes all other prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, fact sheets, brochures or other educational materials of ours.** You should carefully consider, among other things, the matters set forth in Risk Factors in the accompanying product supplement no. 4a-I, as the notes involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisers before you invest in the notes.

You may access these documents on the SEC website at www.sec.gov as follows (or if such address has changed, by reviewing our filings for the relevant date on the SEC website):

Product supplement no. 4a-I dated November 7, 2014:

http://www.sec.gov/Archives/edgar/data/19617/000089109214008407/e61359_424b2.pdf

Prospectus supplement and prospectus, each dated November 7, 2014:

http://www.sec.gov/Archives/edgar/data/19617/000089109214008397/e61348_424b2.pdf

Our Central Index Key, or CIK, on the SEC website is 19617. As used in this term sheet, we, us and our refer to JPMorgan Chase & Co.

What Is the Total Return on the Notes at Maturity, Assuming a Range of Performances for the Index?

The following table and examples illustrate the hypothetical total return at maturity or payment at maturity for each \$1,000 principal amount note. The total return as used in this term sheet is the number, expressed as a percentage, that results from comparing the payment at maturity per \$1,000 principal amount note to \$1,000. Each hypothetical total return or payment at maturity set forth below assumes an Initial Index Level of 21,000 and reflects the Index Adjustment Factor of 98.35%. Each hypothetical total return or payment at maturity set forth below is for illustrative purposes only and may not be the actual total return or payment at maturity applicable to a purchaser of the notes. The numbers appearing in the following table and examples have been rounded for ease of analysis.

Ending Index Level	Index Return	Total Return
42,000.00000	100.00000%	96.7000%
39,900.00000	90.00000%	86.8650%
37,800.00000	80.00000%	77.0300%
35,700.00000	70.00000%	67.1950%
33,600.00000	60.00000%	57.3600%
31,500.00000	50.00000%	47.5250%
29,400.00000	40.00000%	37.6900%
27,300.00000	30.00000%	27.8550%
25,200.00000	20.00000%	18.0200%
23,100.00000	10.00000%	8.1850%
22,050.00000	5.00000%	3.2675%
21,352.31280	1.67768%	0.0000%
21,052.50000	0.25000%	-1.4041%
21,000.00000	0.00000%	-1.6500%
19,950.00000	-5.00000%	-6.5675%
18,900.00000	-10.00000%	-11.4850%
16,800.00000	-20.00000%	-21.3200%
14,700.00000	-30.00000%	-31.1550%
12,600.00000	-40.00000%	-40.9900%
10,500.00000	-50.00000%	-50.8250%
8,400.00000	-60.00000%	-60.6600%
6,300.00000	-70.00000%	-70.4950%
4,200.00000	-80.00000%	-80.3300%
2,100.00000	-90.00000%	-90.1650%
0.00000	-100.00000%	-100.0000%

Hypothetical Examples of Amount Payable at Maturity

The following examples illustrate how the payment at maturity in different hypothetical scenarios is calculated.

Example 1: The level of the Index increases from the Initial Index Level of 21,000 to an Ending Index Level of 22,050. Because the Ending Index Level of 22,050 is greater than the Initial Index Level of 21,000 and the Index Return is 5%, the investor receives a payment at maturity of \$1,032.675 per \$1,000 principal amount note, calculated as follows:

$$\$1,000 \times (1 + 5\%) \times 98.35\% = \$1,032.675$$

Example 2: The level of the Index increases from the Initial Index Level of 21,000 to an Ending Index Level of 21,052.50. Although the Ending Index Level of 21,052.50 is greater than the Initial Index Level of 21,000 and the Index Return is 0.25%, because of the adverse effect of the Index Adjustment Factor, the investor receives a payment at maturity of \$985.9588 per \$1,000 principal amount note, calculated as follows:

$$\$1,000 \times (1 + 0.25\%) \times 98.35\% = \$985.9588$$

Example 3: The level of the Index decreases from the Initial Index Level of 21,000 to an Ending Index Level of 16,800. Because the Ending Index Level of 16,800 is less than the Initial Index Level of 21,000 and the Index Return is -20%, the investor receives a payment at maturity of only \$786.80 per \$1,000 principal amount note, calculated as follows:

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$$\$1,000 \times (1 + -20\%) \times 98.35\% = \$786.80$$

The hypothetical returns and hypothetical payments on the notes shown above apply **only if you hold the notes for their entire term**. These hypotheticals do not reflect fees or expenses that would be associated with any sale in the secondary market. If these fees and expenses were included, the hypothetical returns and hypothetical payments shown above would likely be lower.

JPMorgan Structured Investments

TS-2

Return Notes Linked to the MDAX® Index

Selected Purchase Considerations

INVESTMENT EXPOSURE TO THE PERFORMANCE OF THE MDAX® INDEX The notes provide exposure to the performance of the Index, subject to the Index Adjustment Factor. **Because the notes are our unsecured and unsubordinated obligations, payment of any amount on the notes is subject to our ability to pay our obligations as they become due.**

RETURN LINKED TO THE MDAX® INDEX The return on the notes is linked to the performance of the MDAX® Index. The MDAX® Index is a capital-weighted index that comprises 50 mid-cap issuers based in Germany from classic sectors (*i.e.*, sectors other than technology sectors). The MDAX® Index is a total return index, which reinvests all income from dividend and bonus payments in the Index portfolio. For additional information about the Index, see the information set forth in Appendix A of this term sheet.

CAPITAL GAINS TAX TREATMENT You should review carefully the section entitled **Material U.S. Federal Income Tax Consequences** in the accompanying product supplement no. 4a-I. The following discussion, when read in combination with that section, constitutes the full opinion of our special tax counsel, Davis Polk & Wardwell LLP, regarding the material U.S. federal income tax consequences of owning and disposing of notes.

Based on current market conditions, in the opinion of our special tax counsel it is reasonable to treat the notes as **open transactions** that are not debt instruments for U.S. federal income tax purposes, as more fully described in **Material U.S. Federal Income Tax Consequences Tax Consequences to U.S. Holders Notes Treated as Open Transactions That Are Not Debt Instruments** in the accompanying product supplement no. 4a-I. Assuming this treatment is respected, the gain or loss on your notes should be treated as long-term capital gain or loss if you hold your notes for more than a year, whether or not you are an initial purchaser of notes at the issue price. However, the IRS or a court may not respect this treatment, in which case the timing and character of any income or loss on the notes could be materially and adversely affected. In addition, in 2007 Treasury and the IRS released a notice requesting comments on the U.S. federal income tax treatment of **prepaid forward contracts** and similar instruments. The notice focuses in particular on whether to require investors in these instruments to accrue income over the term of their investment. It also asks for comments on a number of related topics, including the character of income or loss with respect to these instruments; the relevance of factors such as the nature of the underlying property to which the instruments are linked; the degree, if any, to which income (including any mandated accruals) realized by non-U.S. investors should be subject to withholding tax; and whether these instruments are or should be subject to the **constructive ownership** regime, which very generally can operate to recharacterize certain long-term capital gain as ordinary income and impose a notional interest charge. While the notice requests comments on appropriate transition rules and effective dates, any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the notes, possibly with retroactive effect. You should consult your tax adviser regarding the U.S. federal income tax consequences of an investment in the notes, including possible alternative treatments and the issues presented by this notice.

Withholding under legislation commonly referred to as **FATCA** may apply to amounts treated as interest paid with respect to the notes, if they are recharacterized as debt instruments. You should consult your tax adviser regarding the potential application of FATCA to the notes.

Selected Risk Considerations

An investment in the notes involves significant risks. Investing in the notes is not equivalent to investing directly in the Index or any of the equity securities included in the Index. These risks are explained in more detail in the **Risk Factors** section of the accompanying product supplement no. 4a-I.

YOUR INVESTMENT IN THE NOTES MAY RESULT IN A LOSS The notes do not guarantee any return of your principal. The amount payable at maturity, if any, will reflect the performance of the Index, subject to a reduction by the Index Adjustment Factor. Because the Index Adjustment Factor reduces the Index Return, if the Ending Index Level is not greater than the Initial Index Level by at least approximately 1.67768%, you will lose some or all of your principal amount at maturity.

THE INDEX ADJUSTMENT FACTOR WILL DIMINISH ANY INCREASE IN THE VALUE OF THE INDEX AND MAGNIFY ANY DECLINE IN THE VALUE OF THE INDEX If the Index Return is negative or is less than approximately 1.67768%, at maturity, you will lose some or all of your principal amount. In addition, the Index Adjustment Factor will diminish any increase in the value of the Index and magnify any decline in the value of the Index. For each 1% that the Ending Index Level is greater

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than the Initial Index Level, the return on your principal amount will increase by less than 1%. In addition, for each 1% that the Ending Index Level is less than the Initial Index Level, you will lose more than 1% of your principal amount, *provided* that the payment at maturity will not be less than zero.

CREDIT RISK OF JPMORGAN CHASE & CO. The notes are subject to the credit risk of JPMorgan Chase & Co., and our credit ratings and credit spreads may adversely affect the market value of the notes. Investors are dependent on JPMorgan Chase & Co.'s ability to pay all amounts due on the notes. Any actual or potential change in our creditworthiness or credit spreads, as determined by the market for taking our credit risk, is likely to adversely affect the value of the notes. If we were to default on our payment obligations, you may not receive any amounts owed to you under the notes and you could lose your entire investment.

POTENTIAL CONFLICTS We and our affiliates play a variety of roles in connection with the issuance of the notes, including acting as calculation agent and as an agent of the offering of the notes, hedging our obligations under the notes and making the assumptions used to determine the pricing of the notes and the estimated value

JPMorgan Structured Investments

TS-3

Return Notes Linked to the MDAX® Index

of the notes when the terms of the notes are set, which we refer to as JPMS' s estimated value. In performing these duties, our economic interests and the economic interests of the calculation agent and other affiliates of ours are potentially adverse to your interests as an investor in the notes. In addition, our business activities, including hedging and trading activities, could cause our economic interests to be adverse to yours and could adversely affect any payment on the notes and the value of the notes. It is possible that hedging or trading activities of ours or our affiliates in connection with the notes could result in substantial returns for us or our affiliates while the value of the notes declines. Please refer to Risk Factors Risks Relating to Conflicts of Interest in the accompanying product supplement no. 4a-I for additional information about these risks.

JPMS' S ESTIMATED VALUE OF THE NOTES WILL BE LOWER THAN THE ORIGINAL ISSUE PRICE (PRICE TO PUBLIC) OF THE NOTES JPMS' s estimated value is only an estimate using several factors. The original issue price of the notes will exceed JPMS' s estimated value because costs associated with selling, structuring and hedging the notes are included in the original issue price of the notes. These costs include the selling commissions, the projected profits, if any, that our affiliates expect to realize for assuming risks inherent in hedging our obligations under the notes and the estimated cost of hedging our obligations under the notes. See JPMS' s Estimated Value of the Notes in this term sheet.

JPMS' S ESTIMATED VALUE DOES NOT REPRESENT FUTURE VALUES OF THE NOTES AND MAY DIFFER FROM OTHERS' ESTIMATES JPMS' s estimated value of the notes is determined by reference to JPMS' s internal pricing models when the terms of the notes are set. This estimated value is based on market conditions and other relevant factors existing at that time and JPMS' s assumptions about market parameters, which can include volatility, dividend rates, interest rates and other factors. Different pricing models and assumptions could provide valuations for notes that are greater than or less than JPMS' s estimated value. In addition, market conditions and other relevant factors in the future may change, and any assumptions may prove to be incorrect. On future dates, the value of the notes could change significantly based on, among other things, changes in market conditions, our creditworthiness, interest rate movements and other relevant factors, which may impact the price, if any, at which JPMS would be willing to buy notes from you in secondary market transactions. See JPMS' s Estimated Value of the Notes in this term sheet.

JPMS' S ESTIMATED VALUE IS NOT DETERMINED BY REFERENCE TO CREDIT SPREADS FOR OUR CONVENTIONAL FIXED-RATE DEBT The internal funding rate used in the determination of JPMS' s estimated value generally represents a discount from the credit spreads for our conventional fixed-rate debt. The discount is based on, among other things, our view of the funding value of the notes as well as the higher issuance, operational and ongoing liability management costs of the notes in comparison to those costs for our conventional fixed-rate debt. If JPMS were to use the interest rate implied by our conventional fixed-rate credit spreads, we would expect the economic terms of the notes to be more favorable to you. Consequently, our use of an internal funding rate would have an adverse effect on the terms of the notes and any secondary market prices of the notes. See JPMS' s Estimated Value of the Notes in this term sheet.

THE VALUE OF THE NOTES AS PUBLISHED BY JPMS (AND WHICH MAY BE REFLECTED ON CUSTOMER ACCOUNT STATEMENTS) MAY BE HIGHER THAN JPMS' S THEN-CURRENT ESTIMATED VALUE OF THE NOTES FOR A LIMITED TIME PERIOD We generally expect that some of the costs included in the original issue price of the notes will be partially paid back to you in connection with any repurchases of your notes by JPMS in an amount that will decline to zero over an initial predetermined period. These costs can include projected hedging profits, if any, and, in some circumstances, estimated hedging costs and our secondary market credit spreads for structured debt issuances. See Secondary Market Prices of the Notes in this term sheet for additional information relating to this initial period. Accordingly, the estimated value of your notes during this initial period may be lower than the value of the notes as published by JPMS (and which may be shown on your customer account statements).

SECONDARY MARKET PRICES OF THE NOTES WILL LIKELY BE LOWER THAN THE ORIGINAL ISSUE PRICE OF THE NOTES Any secondary market prices of the notes will likely be lower than the original issue price of the notes because, among other things, secondary market prices take into account our secondary market credit spreads for structured debt issuances and, also, because secondary market prices (a) exclude selling commissions and (b) may exclude projected hedging profits, if any, and estimated hedging costs that are included in the original issue price of the notes. As a result, the price, if any, at which JPMS will be willing to buy notes from you in secondary market transactions, if at all, is likely to be lower than the original issue price. Any sale by you prior to the Maturity Date could result in a substantial loss to you. See the immediately following risk consideration for information about additional factors that will impact any secondary market prices of the notes. The notes are not designed to be short-term trading instruments. Accordingly, you should be able and willing to hold your notes to maturity. See Lack of Liquidity below.

SECONDARY MARKET PRICES OF THE NOTES WILL BE IMPACTED BY MANY ECONOMIC AND MARKET FACTORS

The secondary market price of the notes during their term will be impacted by a number of economic and market factors, which may either offset or magnify each other, aside from the selling commissions, projected hedging profits, if any, estimated hedging costs and the level of the Index, including:

- any actual or potential change in our creditworthiness or credit spreads;
- customary bid-ask spreads for similarly sized trades;
- secondary market credit spreads for structured debt issuances;
- the actual and expected volatility of the Index;
- the time to maturity of the notes;
- the dividend rates on the equity securities included in the Index;
- interest and yield rates in the market generally;

JPMorgan Structured Investments

TS-4

Return Notes Linked to the MDAX[®] Index

the exchange rates and the volatility of the exchange rates between the U.S. dollar and each of the currencies in which the equity securities included in the MDAX[®] Index trade and the correlation among those rates and the levels of the MDAX[®] Index; and

a variety of other economic, financial, political, regulatory and judicial events.

Additionally, independent pricing vendors and/or third party broker-dealers may publish a price for the notes, which may also be reflected on customer account statements. This price may be different (higher or lower) than the price of the notes, if any, at which JPMS may be willing to purchase your notes in the secondary market.

NO INTEREST OR DIVIDEND PAYMENTS OR VOTING RIGHTS As a holder of the notes, you will not receive interest payments, and you will not have voting rights or rights to receive cash dividends or other distributions or other rights that holders of securities composing the Index would have. **Because the Index Adjustment Factor always reduces the payment at maturity, your return from an investment in the notes may be less than the return from a direct investment in the Index or the equity securities included in the Index.**

AN INVESTMENT IN THE NOTES IS SUBJECT TO RISKS ASSOCIATED WITH MID-SIZE CAPITALIZATION STOCKS

The stocks that constitute the Index are issued by companies with mid-size market capitalization. The stock prices of mid-size companies may be more volatile than stock prices of large capitalization companies. Mid-size capitalization companies may be less able to withstand adverse economic, market, trade and competitive conditions relative to larger companies. Mid-size capitalization companies are less likely to pay dividends on their stocks, and the presence of a dividend payment could be a factor that limits downward stock price pressure under adverse market conditions.

NON-U.S. SECURITIES RISK All of the equity securities included in the Index have been issued by non-U.S. companies. Investments in securities linked to the value of such non-U.S. equity securities involve risks associated with the securities markets in those countries, including risks of volatility in those markets, governmental intervention in those markets and cross shareholdings in companies in certain countries. Also, there is generally less publicly available information about companies in some of these jurisdictions than about U.S. companies that are subject to the reporting requirements of the SEC.

NO DIRECT EXPOSURE TO FLUCTUATIONS IN FOREIGN EXCHANGE RATES The value of your notes will not be adjusted for exchange rate fluctuations between the U.S. dollar and the currencies upon which the equity securities underlying the Index are based, although any currency fluctuations could affect the performance of the Index. Therefore, if the applicable currencies appreciate or depreciate relative to the U.S. dollar over the term of the notes, you will not receive any additional payment or incur any reduction in your payment at maturity.

LACK OF LIQUIDITY The notes will not be listed on any securities exchange. JPMS intends to offer to purchase the notes in the secondary market but is not required to do so. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the notes easily. Because other dealers are not likely to make a secondary market for the notes, the price at which you may be able to trade your notes is likely to depend on the price, if any, at which JPMS is willing to buy the notes.

THE FINAL TERMS AND VALUATION OF THE NOTES WILL BE PROVIDED IN THE PRICING SUPPLEMENT The final terms of the notes will be based on relevant market conditions when the terms of the notes are set and will be provided in the pricing supplement. In particular, JPMS's estimated value will be provided in the pricing supplement and may be as low as the minimum for JPMS's estimated value set forth on the cover of this term sheet. Accordingly, you should consider your potential investment in the notes based on the minimum for JPMS's estimated value.

Historical Information

The following graph sets forth the historical weekly performance of the Index based on the weekly historical closing levels of the Index from January 8, 2010 through April 2, 2015. The German equity markets were closed on April 3, 2015 due to the Easter holidays. The closing level of the Index on April 7, 2015 was 21,034.32.

We obtained the closing levels of the Index below from the Bloomberg Professional® service (Bloomberg), without independent verification. The historical closing levels of the Index should not be taken as an indication of future performance, and no assurance can be given as to the closing level of the Index on the Pricing Date or any Ending Averaging Date. We cannot give you assurance that the performance of the Index will result in the return of any of your principal amount.

JPMS' s Estimated Value of the Notes

JPMS' s estimated value of the notes set forth on the cover of this term sheet is equal to the sum of the values of the following hypothetical components: (1) a fixed-income debt component with the same maturity as the notes, valued using our internal funding rate for structured debt described below, and (2) the derivative or derivatives underlying the economic terms of the notes. JPMS' s estimated value does not represent a minimum price at which JPMS would be willing to buy your notes in any secondary market (if any exists) at any time. The internal funding rate used in the determination of JPMS' s estimated value generally represents a discount from the credit spreads for our conventional fixed-rate debt. For additional information, see Selected Risk Considerations JPMS' s Estimated Value Is Not Determined by Reference to Credit Spreads for Our Conventional Fixed-Rate Debt. The value of the derivative or derivatives underlying the economic terms of the notes is derived from JPMS' s internal pricing models. These models are dependent on inputs such as the traded market prices of comparable derivative instruments and on various other inputs, some of which are market-observable, and which can include volatility, dividend rates, interest rates and other factors, as well as assumptions about future market events and/or environments. Accordingly, JPMS' s estimated value of the notes is determined when the terms of the notes are set based on market conditions and other relevant factors and assumptions existing at that time. See Selected Risk Considerations JPMS' s Estimated Value Does Not Represent Future Values of the Notes and May Differ from Others' Estimates.

JPMS' s estimated value of the notes will be lower than the original issue price of the notes because costs associated with selling, structuring and hedging the notes are included in the original issue price of the notes. These costs include the selling commissions paid to JPMS and other affiliated or unaffiliated dealers, the projected profits, if any, that our affiliates expect to realize for assuming risks inherent in hedging our obligations under the notes and the estimated cost of hedging our obligations under the notes. Because hedging our obligations entails risk and may be influenced by market forces beyond our control, this hedging may result in a profit that is more or less than expected, or it may result in a loss. We or one or more of our affiliates will retain any profits realized in hedging our obligations under the notes. See Selected Risk Considerations JPMS' s Estimated Value of the Notes Will Be Lower Than the Original Issue Price (Price to Public) of the Notes in this term sheet.

Secondary Market Prices of the Notes

For information about factors that will impact any secondary market prices of the notes, see Selected Risk Considerations Secondary Market Prices of the Notes Will Be Impacted by Many Economic and Market Factors in this term sheet. In addition, we generally expect that some of the costs included in the original issue price of the notes will be partially paid back to you in connection with any repurchases of your notes by JPMS in an amount that will decline to zero.

over an initial predetermined period that is intended to be the shorter of six months and one-half of the stated term of the notes. The length of any such initial period reflects the structure of the notes, whether our affiliates expect to earn a profit in connection with our hedging activities, the estimated costs of hedging the notes and when these costs are incurred, as determined by JPMS. See Selected Risk Considerations The Value of the Notes as Published by JPMS (and Which May Be Reflected on Customer Account Statements) May Be Higher Than JPMS's Then-Current Estimated Value of the Notes for a Limited Time Period.

Supplemental Use of Proceeds

The notes are offered to meet investor demand for products that reflect the risk-return profile and market exposure provided by the notes. See What Is the Total Return on the Notes at Maturity, Assuming a Range of Performances for the Index? and Hypothetical Examples of Amount Payable at Maturity in this term sheet for an illustration of the risk-return profile of the notes and Appendix A in this term sheet for a description of the market exposure provided by the notes.

The original issue price of the notes is equal to JPMS's estimated value of the notes plus the selling commissions paid to JPMS and other affiliated or unaffiliated dealers, plus (minus) the projected profits (losses) that our affiliates expect to realize for assuming risks inherent in hedging our obligations under the notes, plus the estimated cost of hedging our obligations under the notes.

JPMorgan Structured Investments

TS-7

Return Notes Linked to the MDAX[®] Index

APPENDIX A

The MDAX® Index

We have derived all information contained in this term sheet regarding the MDAX® Index (the Index), including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information, without independent verification. This information reflects the policies of, and is subject to change by, Deutsche Börse AG (Deutsche Börse). The Index is calculated, maintained and published by Deutsche Börse. Deutsche Börse has no obligation to continue to publish, and may discontinue publication of, the Index.

The Index is reported by Bloomberg L.P. under the ticker symbol MDAX.

The Index comprises 50 mid-cap issuers based in Germany from classic sectors (*i.e.*, sectors other than technology sectors) that are listed on the Frankfurt Stock Exchange. These companies are selected from the continuously traded companies in the Prime Standard Segment that meet certain selection criteria. To be listed in the Prime Standard, a company must meet minimum statutory requirements, which include the regular publication of financial reports, and must satisfy additional transparency requirements. The reference date of the Index is December 30, 1987.

The Index is capital-weighted, meaning the weight of any individual issue is proportionate to its respective share in the overall capitalization of all index component issuers. The weight of any single company is capped at 10% of the Index capitalization, measured quarterly. Weighting is based exclusively on the free float portion of the issued share capital of any class of shares involved. Both the number of shares included in the issued share capital and the free float factor are updated on one day each quarter (the chaining date). The Index is a performance (*i.e.* total return) index, which reinvests all income from dividend and bonus payments in the MDAX® portfolio.

Methodology of the Index

The Working Committee for Equity Indices

The Working Committee for Equity Indices (the Committee) advises Deutsche Börse on all issues related to the Index, recommending measures that are necessary in order to ensure the relevance of the Index range and the correctness and transparency of the Index calculation process. In accordance with the various rules, the Committee pronounces recommendations in respect of the composition of the Index. However, any decisions on the composition of and possible modifications to the Index are exclusively taken by Deutsche Börse. These decisions are published in a press release and on Deutsche Börse's publicly available website at www.deutsche-boerse.com in the evening after the Committee has concluded its meeting. Information contained in Deutsche Börse's website is not incorporated by reference in, and should not be considered a part of, this term sheet. We have not participated in the preparation of, or independently verified, any information contained on Deutsche Börse's website.

The Committee's meetings usually take place on the third trading day in each of March, June, September and December. The date for the respective next meeting is announced via a press release on Deutsche Börse's website on the evening of the current meeting.

The so-called equity index ranking is published monthly by Deutsche Börse, containing all relevant data in respect of the key criteria order book turnover and market capitalization. This publication also serves the Committee as a basis for decision-making at its quarterly meetings. It is produced at the beginning of each month and published via the Internet.

Free Float

For the determination of the free float portion used to weight a company's class of shares in the Index and for the ranking lists, the following definition applies:

1. All shareholdings of an owner which, on an accumulated basis, account for at least 5% of a company's share capital attributed to a class of shares are considered to be non-free float. Shareholdings of an owner also include shareholdings:

held by the family of the owner as defined by section 15a of the German Securities Trading Act (WpHG);

for which a pooling has been arranged in which the owner has an interest;

managed or kept in safe custody by a third party for account of the owner; and

held by a company which the owner controls as defined by section 22(3) of the WpHG.

2. The definition of non-free float irrespective of the size of a shareholding covers any shareholding of an owner that is subject to a statutory or contractual qualifying period of at least six months with regard to its disposal by the owner. This applies only during the qualifying period. Shareholdings as defined by No. 1 above are counted as shareholdings for the calculation according to No. 1. Shares held by the issuing company (treasury shares) are always considered as block holdings and are not part of the free float of the share class.

3. As long as the size of such a shareholding does not exceed 25% of a company's share capital, the definition of free float includes all shareholdings held by:

asset managers and trust companies;

JPMorgan Structured Investments

A-1

Return Notes Linked to the JPX-Nikkei Index 400

investment funds and pension funds (government ownership, *i.e.*, stock owned by either governments or their agencies and supranational funds are excluded); and

capital investment companies or foreign investment companies in their respective special fund assets with the purpose of pursuing short-term investment strategies. Such shares, for which the acquirer has at the time of purchase clearly and publicly stated that strategic goals are being pursued and that the intention is to actively influence the company policies and ongoing business of the company, are not considered as such a short-term investment. In addition, shares having been acquired through a public purchase offer are not considered as short-term investment. This does not apply to shareholdings managed or held in safe custody according to No. 1, or to venture capital companies, or other assets serving similar purposes. The shareholdings as defined by No. 1 above are not counted as shareholdings for the calculation according to No. 1.

4. In the case of an ongoing takeover, shares that are under the control of the overtaking companies via derivatives will also be considered for the determination of the stock's free float. The derivatives need to be subject to registration according to legislation in WpHG and the German Securities Acquisition and Takeover Act (WpUG).

The various criteria in Nos. 1 to 4 are also fully applied to classes of shares that are subject to restrictions of ownership.

Index Composition

Selection Criteria

To be included or to remain in the Index, companies have to satisfy certain prerequisites. All classes of the company's shares must:

be listed in the Prime Standard Segment on the Frankfurt Stock Exchange;

be traded continuously on Deutsche Börse's electronic trading system Xetra®;

show a free float portion of at least 10%; and

belong to a sector or subsector that is assigned to the Classic (*i.e.* non-technology) area.

If, for any company, more than one class of shares fulfils the above criteria, only the respective larger or more liquid class can be included in the Index. Moreover, companies must either:

have their headquarters (or operating headquarters) in Germany; or

have a major share of the stock exchange turnover at the Frankfurt Stock Exchange and their juristic headquarters in the European Union (EU) or in a European Free Trade Association (EFTA) state.

Operating headquarters is defined as the location of management or company administration, in part or in full. If a company has its operating headquarters in Germany, but not its registered office, this must be publicly identified by the company. The major trading turnover requirement is met if at least 33% of aggregate turnover inside the EU/EFTA over the past twelve months took place on the Frankfurt Stock Exchange, including Xetra®. The total aggregate turnover per company includes the trading turnover generated for all listings of this company on regulated exchanges or multilateral trading facility inside the EU/EFTA.

To preserve the character of the Index, Deutsche Börse reserves the right to exclude certain companies from the Index in coordination with the Committee. One possible reason for such an exclusion could be that the applicable company is a foreign holding company with headquarters in Germany, but a clear focus on business activities abroad.

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For companies already part of the Index, the above paragraph does not apply.

Companies that satisfied the prerequisites listed above are selected for inclusion in the Index according exclusively to the following two key criteria:

order book turnover on Xetra[®] and in Frankfurt floor trading (within the preceding twelve months); and

free float market capitalization (determined using the volume-weighted average price (VWAP) of the last 20 trading days prior to the last day of the month) on the last trading day of each month.

Apart from these key criteria, there are other aspects which continue to influence the decision-making process:

the free float;

market availability (measured on the basis of trading volumes, frequency of price determination, turnover or the Xetra liquidity measure);

sector affiliation; and

the period during which a company has met the criteria for inclusion in, or elimination from, the index (retroactive view).

JPMorgan Structured Investments

A-2

Return Notes Linked to the JPX-Nikkei Index 400

Taking these criteria into account, the Committee submits proposals to Deutsche Börse to leave the current composition of the Index unchanged or to effect changes. The final decision as to whether or not to replace an index component issue is taken by Deutsche Börse. These decisions will be directly reflected in the respective rankings.

Adjustments to Index Composition

Ordinary adjustments are made each year in March and September, based on the following criteria:

a company can be included in the MDAX[®] if it has a minimum turnover ranking of 60 and a minimum market capitalization ranking of 60. A company can be removed from the index that has a worse turnover or a worse market capitalization ranking compared to the company included. If more than one candidate is available, the decision will be primarily based on the market capitalization; and

a company can be removed from the MDAX[®] if it has a turnover ranking worse than 60 or a market capitalization ranking worse than 60. A company can be added to the index that has a better turnover or a better market capitalization ranking compared to the company being deleted. If more than one candidate is available, the decision will be primarily based on the market capitalization. However, the company must still fulfill the regular entry thresholds. If no such candidate exists, the largest company by market capitalization will be added.

Furthermore, under the fast-entry and fast-exit rules, which are applied in March, June, September and December:

a company can be included in the MDAX[®] if it has a minimum turnover ranking of 40 and a minimum market capitalization ranking of 40. A company can be removed from the index that has a worse turnover or a worse market capitalization ranking compared to the company included. If more than one candidate is available, the decision will be primarily based on the market capitalization; and

a company can be removed from the MDAX[®] if it has a turnover ranking worse than 75 or a market capitalization ranking worse than 75. A company can be added to the index that has a better turnover or a better market capitalization ranking compared to the company being deleted. However, the company must still fulfill the Fast Entry thresholds. If more than one candidate is available, the decision will be primarily based on the market capitalization. If no candidate exists, the largest company by market capitalization will be added.

Based on the rankings and further criteria involved, the Committee recommends in these cases if and if so, against which issuer such company is to be admitted to the Index.

Finally, extraordinary adjustments to the index composition have to be performed, regardless of the fast-exit or fast-entry rules, upon occurrence of specific events, such as insolvency. In addition, a company can be removed immediately if its index weight based on the actual market capitalization exceeds 10% and its annualized 30-day volatility exceeds 250%. The relevant figures are published by Deutsche Börse on a daily basis. Deutsche Börse, in consultation with the Committee, may decide on the removal and may replace the company two full trading days after the announcement.

Adjustments are also necessary in two scenarios in the mergers and acquisitions context:

if an absorbing or emerging company meets basis criteria for inclusion in the Index, as soon as the free float of the absorbed company falls below 10%, the company is removed from the Index under the ordinary or extraordinary adjustments described above. The absorbed company is replaced by the absorbing or emerging company on the same date; and

if an absorbing company is already included in the Index or does not meet the basis criteria for inclusion in the Index, as soon as the free float of the absorbed company falls below 10%, the company is removed from the Index under the ordinary or extraordinary adjustments described above. On the same date, the absorbed company is replaced by a new company determined by the Fast Exit Rule.

The weight of the company represented in the Index is adjusted to the new number of shares on the quarterly date after the merger has taken place.

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Index Calculation

The Index is weighted by market capitalization; however, only freely available and tradable shares (free float) are taken into account. The Index is performance (*i.e.* total return) index, which reinvests all income from dividend and bonus payments in the MDAX[®] portfolio.

The Index Formula

The Index is conceived according to the Laspeyres formula set out below:

whereby:

JPMorgan Structured Investments

A-3

Return Notes Linked to the JPX-Nikkei Index 400

c_{it}	=	Adjustment factor of company i at time t
ff_{iT}	=	Free float factor of share class i at time T
n	=	Number of shares in the Index
p_{i0}	=	Closing price of share i on the trading day before the first inclusion in the Index
p_{iT}	=	Price of share i at time t
q_{i0}	=	Number of shares of company i on the trading day before the first inclusion in the Index
q_{iT}	=	Number of shares of company i at time T
t	=	Calculation time of the Index
K_T	=	The Index chaining factor valid as of chaining date T
T	=	Date of the last chaining

The formula set out below is equivalent in analytic terms, but designed to achieve relative weighting:

The Index calculation can be reproduced in simplified terms by using the expression F_i :

Multiply the current price by the respective F_i weighting factor;

Take the sum of these products; and

Divide this by the base value (A) which remains constant until a modification in the Index composition occurs. The F_i factors provide information on the number of shares required from each company to track the underlying Index portfolio.

Calculation Frequency

Index calculation is performed on every exchange trading day in Frankfurt, using prices traded on Deutsche Börse's electronic trading system Xetra[®], whereby the last determined prices are used. The Index is calculated continuously once a second. The Index is distributed as soon as current prices are available for the minimum number (35) index components included in the Index. As long as opening prices for individual shares are not available, the particular closing prices of the previous day are taken instead for calculating the Index.

In the event of a suspension during trading hours, the last price determined before such a suspension is used for all subsequent computations. If such suspension occurs before the start of trading, the closing price of the previous day is taken instead. The official closing index level is calculated using the respective closing prices (or last prices) established on Xetra[®].

Adjustments and Corrections

Index calculation is performed on every exchange trading day in Frankfurt, using prices traded on Deutsche Börse's electronic trading system Xetra[®], whereby the last determined prices are used. The MDAX[®] is calculated continuously once a second. The MDAX[®] is distributed as soon as current prices are available for 35 companies belonging to the MDAX[®]. As long as opening prices for individual shares are not available, the particular closing prices of the previous day are taken instead for calculating the indices.

In the event of a suspension during trading hours, the last price determined before such a suspension is used for all subsequent computations. If such suspension occurs before the start of trading, the closing price of the previous day is taken instead. The official closing index level is calculated using the respective closing prices (or last prices) established on Xetra[®].

JPMorgan Structured Investments

A-4

Return Notes Linked to the JPX-Nikkei Index 400

Licensing Agreement with Deutsche Börse

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JPMS has entered into an agreement with the Licensor that would provide JPMS and certain of its affiliates a non-exclusive license and, for a fee, with a right to use the Index in connection with the notes.

JPMorgan Structured Investments

A-5

Return Notes Linked to the JPX-Nikkei Index 400