

JPMorganChase 

JPMorgan Chase Bank, National Association

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Certificates of Deposit Linked to the JPMorgan Efficiente (USD) Index due July 31, 2015**General**

- Certificates of deposit (the “CDs”) issued by JPMorgan Chase Bank, National Association maturing July 31, 2015*.
- The CDs are designed for investors who seek exposure to any appreciation of the JPMorgan Efficiente (USD) Index over the term of the CDs. Investors should be willing to forgo interest and dividend payments, while seeking full principal protection at maturity.
- The JPMorgan Efficiente (USD) Index is a JPMorgan strategy that tracks the excess returns of a synthetic portfolio, selected from up to nine indices, above the returns of the JPMorgan Cash Index USD 3 Month and offers exposure to a diverse range of asset classes and geographic regions.
- The CDs are insured only within the limits and to the extent described in this term sheet and in the accompanying disclosure statement. See “Selected Risk Considerations — Limitations on FDIC Insurance” herein.
- Early withdrawals are permitted at par in the event of death or adjudication of incompetence of the beneficial owner of the CDs. For information about early withdrawals and the limitations on such withdrawals, see “Survivor’s Option” in the accompanying disclosure statement.
- Investing in the CDs is not equivalent to investing in a conventional CD or directly in the JPMorgan Efficiente (USD) Index or any of its Basket Constituents.
- Minimum denominations of \$1,000 (and then in additional increments of \$1,000).
- The CDs are expected to price on or about July 28, 2009 and to settle on or about July 31, 2009.

Key Terms

Index:	The JPMorgan Efficiente (USD) Index (the “Index”).
Payment at Maturity:	At maturity you will receive a cash payment, for each \$1,000 CD, of \$1,000 plus the Additional Amount [†] , which may be zero. You will receive no interest or dividend payments during the term of the CDs.
Additional Amount [†] :	The Additional Amount [†] paid at maturity per \$1,000 CD will equal \$1,000 x the Index Return x the Participation Rate; <i>provided</i> , that the Additional Amount [†] will not be less than zero.
Participation Rate:	At least 105%. The actual Participation Rate will be set on the pricing date but will not be less than 105%.
Index Return:	$\frac{\text{Ending Index Level} - \text{Starting Index Level}}{\text{Starting Index Level}}$
Starting Index Level:	The Index closing level on the pricing date, which is expected to be on or about July 28, 2009.
Ending Index Level:	The Index closing level on the Observation Date.
Observation Date:	July 28, 2015,* or if such day is not a business day, the following business day.
Maturity Date:	July 31, 2015*.
Fees and Discounts:	If the CDs priced today, J.P. Morgan Securities Inc., whom we refer to as JPMSI, and its affiliates, would receive a commission of approximately \$78.50 per \$1,000 CD and would use a portion of that commission to allow selling concessions to other dealers of \$30.00 per \$1,000 CD. The commission of approximately \$30.00 per \$1,000 principal amount note includes concessions to be allowed to selling dealers and concessions to be allowed to any arranging dealer. The actual commission received by JPMSI and its affiliates will depend on market conditions on the Pricing Date. In no event will the commission received by JPMSI and its affiliates, which includes selling concessions to be allowed to other dealers, exceed \$80.00 per \$1,000 CD.
Early Withdrawals:	At par upon death or adjudication of incompetence of a beneficial holder of the CDs. For information about early withdrawals and the limitations on such early withdrawals, see “General Terms of the CDs – Survivor’s Option” in the accompanying disclosure statement.
Calculation Agent:	48121C3U8 J.P. Morgan Securities Inc.

*Subject to postponement in the event of a market disruption event and as described under “Description of CDs” in the accompanying disclosure statement.

[†] Subject to the impact of a commodity hedging disruption event as described under “General Terms of the CDs—Market Disruption Events” and “General Terms of the CDs—Consequences of a Commodity Hedging Disruption Event” in the accompanying disclosure statement. In the event of a commodity hedging disruption event, we have the right, but not the obligation, to cause the calculation agent to determine on the commodity hedging disruption date the value of the Additional Amount payable upon maturity. Under these circumstances, the value of the Additional Amount payable upon maturity will be determined prior to, and without regard to the level of the Index on, the Observation Date.

Investing in the CDs involves a number of risks. See “Risk Factors” beginning on page 6 of the accompanying disclosure statement and “Selected Risk Considerations” beginning on page TS-3 of this term sheet.

Our affiliate, JPMSI, certain of its affiliates and other broker-dealers may use this term sheet and the accompanying disclosure statement in connection with offers and sales of the CDs after the date hereof.

J.P.Morgan

July , 2009

Additional Terms Specific to the CDs

You should read this term sheet together with the disclosure statement dated February 27, 2009. This term sheet, together with the disclosure statement that accompanies it, contains the terms of the CDs and supersedes all 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 the “Risk Factors” section in the accompanying disclosure statement as the CDs involve risks not associated with conventional certificates of deposit. We urge you to consult your investment, legal, tax, accounting and other advisers before you invest in the CDs.

You may access the disclosure statement on our website at the following URL:

Disclosure statement dated February 27, 2009:

www.jpmorgan.com/directdoc/jpm_efficiente_disclosure_statement_2_27_2009.pdf

You may access information related to the unaudited quarterly financial statements for the Bank for the first three months ended March 31, 2009 and the audited annual financial statements of the Bank for the years ended December 31, 2007 and December 31, 2008 at the following URL:

http://www.jpmorgan.com/directdoc/jpmcb_financial_information_through_Q1_09.pdf

You may access additional information regarding The JPMorgan Efficiente (USD) Index in the Strategy Guide at the following URL:

http://www.sec.gov/Archives/edgar/data/19617/000095010309001414/dp13820_fwp.htm

We reserve the right to change the terms of the CDs prior to their issuance. Before you make your investment we will notify you of any changes in the terms of the CDs in a disclosure supplement or amended and restated term sheet on or before the business day prior to the settlement date.

As used in this term sheet, “we,” “us,” “our” or the “Bank” refers to JPMorgan Chase Bank, National Association.

JPMorgan Efficiente (USD) Index

The JPMorgan Efficiente (USD) Index (the “Index”) was developed and is maintained and calculated by J.P. Morgan Securities Ltd. (“JPMSL”), one of our affiliates. JPMSL acts as the calculation agent for the Index (the “index calculation agent”). The Index is a notional dynamic basket that tracks the excess returns of a portfolio of nine indices (each a “Basket Constituent,” and collectively the “Basket Constituents”) above the JPMorgan Cash Index USD 3 Month (also a Basket Constituent). The Basket Constituents represent a diverse range of asset classes and geographic regions.

The Index rebalances quarterly a synthetic portfolio composed of the Basket Constituents. The Index is based on the “modern portfolio theory” approach to asset allocation, which suggests how a rational investor should allocate his capital across the available universe of assets to maximize return for a given risk appetite. The level of the Efficiente Index is determined by tracking the returns of the synthetic portfolio above the return of the JPMorgan Cash Index USD 3 Month.

The weights assigned to the Basket Constituents within the synthetic portfolio are rebalanced quarterly. The strategy assigns the weights to the Basket Constituents based upon the returns and volatilities of multiple hypothetical portfolios comprised of the Basket Constituents measured over the previous six months. The re-weighting methodology seeks to identify the weights for each Basket Constituent that would have resulted in the hypothetical portfolio with the highest return over the relevant measurement period subject to an annualized volatility over the same period of 8% or less. Thus, the portfolio exhibiting the highest return with an annualized volatility of 8% or less is then selected, with the weighting for such portfolio applied to the Basket Constituents. In the event that none of the portfolios has an annualized volatility equal to or less than 8%, this volatility threshold is increased by 1% until a portfolio is selected.

The Index is described as a “notional” or synthetic portfolio or basket of assets because there is no actual portfolio of assets to which any person is entitled or in which any person has any ownership interest. The Index merely references certain assets, the performance of which will be used as a reference point for calculating the level of the Index.

On May 6, 2009, UBS Securities LLC (“UBS”) completed its acquisition of the commodity index business of AIG Financial Products Corp. (“AIG-FP”), including AIG-FP’s rights to the Dow Jones — AIG Commodity IndexSM. Effective on May 7, 2009, the Dow Jones — AIG Commodity IndexSM is rebranded as “Dow Jones — UBS Commodity Index.” Accordingly, all references in the accompanying disclosure statement and strategy guide to the “Dow Jones — AIG Commodity IndexSM,” “DJ-AIGCISM” and the “Index” will be deemed to refer to the “Dow Jones — UBS Commodity Index” and (2) “AIG Financial Products” and “AIG-FP” will be deemed to refer to UBS. We and our affiliates have entered into a non-exclusive license with Dow Jones & Company, Inc. and UBS to use the Dow Jones — UBS Commodity Index in connection with the offering of these CDs. Previously, the Dow Jones — AIG Commodity IndexSM was reported by Bloomberg, L.P. under the ticker symbol “DJAIG.” Effective May 8, 2009, the Dow Jones — UBS Commodity Index has been reported by Bloomberg, L.P. under both ticker symbols “DJAIG” and “DJUBS”, which will continue for 30 days. After this 30-day period, the Dow Jones — UBS Commodity Index will be reported by Bloomberg, L.P. only under the ticker symbol “DJUBS.”

The following are the Basket Constituents composing the Index and the maximum weighting constraints assigned to the relevant sector and asset type to which each belongs:

	Sector Cap	Basket Constituent	Asset Cap
1	Developed Equity	MSCI North America Gross Total Return Index	25%
2	50%	MSCI Europe Gross Total Return Index	25%
3		MSCI Pacific Gross Total Return Index	25%
4	Emerging Markets	MSCI Emerging Markets Gross Total Return Index	25%
5	50%	JPMorgan Emerging Markets Bond Index Plus Composite	25%
6	Alternative Investments	Dow Jones – UBS Commodity Index Total Return	25%
7	50%	GPR/JPMorgan High Liquidity Global Property Index	25%
8	Global Debt	JPMorgan GBI Global Bond Total Return Index Hedged into U.S. Dollars	25%
9	50%	JPMorgan Cash Index USD 3 Month	50%

See “The JPMorgan Efficiente (USD) Index” in the accompanying disclosure statement for more information on the Index and the Basket Constituents.

Selected Purchase Considerations

- PRESERVATION OF CAPITAL AT MATURITY** — You will receive at least the principal amount of your CDs if you hold the CDs to maturity, regardless of the performance of the Index, subject to our creditworthiness for any amount in excess of FDIC insured limits.
- APPRECIATION POTENTIAL** — At maturity, in addition to your principal, for each \$1,000 principal amount CD you will receive a payment equal to \$1,000 x the Index Return x the Participation Rate, *provided* that this payment (the Additional Amount) will not be less than zero. The minimum investment in the CDs is \$1,000. The actual Participation Rate will be determined on the Pricing Date and will not be less than 105%.
- FDIC INSURED** — The CDs are deposit obligations of the Bank and are insured by the FDIC up to applicable limits set by federal law and regulation. Pursuant to the Emergency Economic Stabilization Act of 2008 (the “Economic Stabilization Act”), which was enacted on October 3, 2008, the maximum deposit insurance amount was temporarily raised from \$100,000 to \$250,000 for all deposits held by you in the same ownership capacity at the Bank. On May 20, 2009, the Emergency Economic Stabilization Act was amended by the Helping Families Save Their Homes Act of 2009 (the “Helping Families Save Their Homes Act”), extending the increased limit until December 31, 2013. The maximum amount of deposit insurance per participant in the case of certain retirement accounts remains \$250,000 as described in the disclosure statement under “Deposit Insurance.” The principal amount of any CDs owned in excess of these limits is not insured by the FDIC. Under federal legislation adopted in 1993, claims of depositors are entitled to a preference in right of payment over claims of general unsecured creditors in the event of a liquidation or other resolution of any FDIC-insured depository institution. However, there can be no assurance that a depositor would receive the entire uninsured principal amount of CDs in any such liquidation or other resolution.
- RETURN LINKED TO A NOTIONAL DYNAMIC BASKET OF SUB-INDICES THAT TRACKS THE EXCESS RETURNS OF A PORTFOLIO OF NINE INDICES REPRESENTING A DIVERSE RANGE OF ASSETS AND GEOGRAPHIC REGIONS** — The return on the CDs is linked to the performance of the JPMorgan Efficiente (USD) Index. The Index tracks the excess returns of a portfolio of nine indices using an investment strategy that is based on the modern portfolio theory of asset allocation which suggests how a rational investor should allocate his capital across the available universe of assets to maximize return for a given risk appetite. The Index uses the concept of an “efficient frontier” to define the asset allocation of the Index. An efficient frontier for a portfolio of assets defines the optimum return of the portfolio for a given amount of risk. The Index uses the volatility of returns of hypothetical portfolios as the measure of risk. This strategy is based on the assumption that the most efficient allocation of assets is one that maximizes returns per unit of risk. See “The JPMorgan Efficiente (USD) Index” in the accompanying disclosure statement.

- TREATED AS CONTINGENT PAYMENT DEBT INSTRUMENTS** — Unlike a traditional certificate of deposit that provides for periodic payments of interest at a single fixed rate with respect to which a cash-method holder generally recognizes income only upon payment of stated interest, the CDs will be treated as “contingent payment debt instruments” for U.S. federal income tax purposes and will therefore be subject to special tax rules. Under these rules, subject to the occurrence of a commodity hedging disruption event, you will generally be required to recognize interest income in each year at a comparable yield, even though we will not make any payments with respect to the CDs until maturity. Interest included in income will increase your basis in the CD. Generally, amounts received at maturity or earlier sale or exchange in excess of your adjusted basis will be treated as additional interest income, while any loss will be treated as an ordinary loss, which will be deductible against other income (*e.g.*, employment and interest income). Special rules may apply in the event of the occurrence of a commodity hedging disruption event. You should consult your tax adviser concerning the application of these rules. Purchasers who are not initial purchasers of CDs at their issue price should consult their tax advisers with respect to the tax consequences of an investment in the CDs, including the treatment of the difference, if any, between their basis in the CDs and the CDs’ adjusted issue price. See the section entitled “Certain U.S. Federal Income Tax Consequences” in the accompanying disclosure statement for more detailed information. As discussed in the section entitled “Certain U.S. Federal Income Tax Consequences – No Reliance,” you cannot use the tax summaries herein for the purpose of avoiding penalties that may be asserted against you under the Internal Revenue Code.
- COMPARABLE YIELD AND PROJECTED PAYMENT SCHEDULE** — We will determine the comparable yield for the CDs and will provide that comparable yield, and the related projected payment schedule, in the disclosure supplement for the CDs. If the CDs had priced on June 29, 2009 and we had determined the comparable yield on that date, it would have been an annual rate of 2.21%, compounded semiannually. The actual comparable yield that we will determine for the CDs may be more or less than 2.21%, and will depend upon variety of factors, including the actual market conditions and our borrowing costs for debt instruments of comparable maturities. **Neither the comparable yield nor the projected payment schedule constitutes a representation by us regarding the actual amount, if any, that we will pay on the CDs.**

Selected Risk Considerations

An investment in the CDs involves significant risks. Investing in the CDs is not equivalent to investing directly in the Index. These risks are explained in more detail in the “Risk Factors” section of the accompanying disclosure statement.

- MARKET RISK** — The return on the CDs at maturity is linked to the performance of the Index, and will depend on whether, and the extent to which, the Index Return is positive. **YOU WILL RECEIVE NO MORE THAN THE FULL PRINCIPAL AMOUNT OF YOUR CDs AT MATURITY IF THE INDEX RETURN IS ZERO OR NEGATIVE.**
- THE CDs MIGHT NOT PAY MORE THAN THE PRINCIPAL AMOUNT AT MATURITY** — You may receive a lower payment at maturity than you would have received if you had invested directly in any of the Basket Constituents, the securities or futures contracts underlying the Basket Constituents or contracts relating to the Index or any of the Basket Constituents for which there is an active secondary market. If the Ending Index Level does not exceed the Starting Index Level, the Additional Amount will be zero and you will receive a payment at maturity of \$1,000 per \$1,000 CD. This will be true even if the value of the Index was higher than the Starting Index Level at some time during the life of the CDs but falls below the Starting Index Level on the Observation Date.
- CERTAIN BUILT-IN COSTS ARE LIKELY TO ADVERSELY AFFECT THE VALUE OF THE CDs PRIOR TO MATURITY** — While the payment at maturity described in this term sheet is based on the full principal amount of your CDs, the original issue price of the CDs includes the agent’s commission and the cost of hedging our obligations under the CDs. As a result, the price, if any, at which our affiliate, JPMSI and certain of our other affiliates may be willing to purchase CDs from you in secondary market transactions, if at all, will likely be lower than the original issue price and could result in a substantial loss to you. The CDs are not designed to be short-term trading instruments. **YOUR PRINCIPAL IS PROTECTED ONLY AT MATURITY.**
- THE CDs MAY BE SUBJECT TO THE CREDIT RISK OF JPMORGAN CHASE BANK, N.A.** — A depositor purchasing a principal amount of CDs in excess of FDIC insurance limits will be subject to the credit risk of JPMorgan Chase Bank, N.A. and our credit ratings and credit spreads may adversely affect the market value of the CDs. Investors are dependent on JPMorgan Chase Bank, N.A.’s ability to pay amounts due on the CDs in excess of FDIC insurance limits at maturity or on any other relevant payment dates, and therefore investors are subject to our credit risk and to changes in the market’s view of our creditworthiness. Any decline in our credit ratings or increase in the credit spreads charged by the market for taking our credit risk is likely to adversely affect the value of the CDs.
- THE INDEX STRATEGY MAY NOT BE SUCCESSFUL, MAY NOT OUTPERFORM ANY ALTERNATIVE STRATEGY THAT MIGHT BE EMPLOYED IN RESPECT OF THE BASKET CONSTITUENTS OR ACHIEVE ITS TARGET VOLATILITY** — The Index follows a notional rules-based proprietary strategy that operates on the basis of pre-determined rules. No assurance can be given that the investment strategy on which the Index is based will be successful or that the Index will outperform any alternative strategy that might be employed or that the Index will achieve its target volatility of 8%.

- **THE INDEX COMPRISES NOTIONAL ASSETS AND LIABILITIES** — The exposures to the Basket Constituents are purely notional and will exist solely in the records maintained by or on behalf of the index calculation agent. There is no actual portfolio of assets to which any person is entitled or in which any person has any ownership interest. Consequently, you will not have any claim against any of the Basket Constituents composing the Index.
- **OWNING THE CDs INVOLVES THE RISKS ASSOCIATED WITH THE INDEX'S MOMENTUM INVESTMENT STRATEGY** — The Index employs a mathematical model intended to implement what is generally known as a momentum investment strategy, which seeks to capitalize on positive market price trends based on the supposition that positive market price trends may continue. This strategy is different from a strategy that seeks long-term exposure to a portfolio consisting of constant components with fixed weights. The Index may fail to realize gains that could occur as a result of holding assets that have experienced price declines, but after which experience a sudden price spike.
- **THE INVESTMENT STRATEGY USED TO CONSTRUCT THE INDEX INVOLVES QUARTERLY REBALANCING AND WEIGHTING CAPS THAT ARE APPLIED TO THE BASKET CONSTITUENTS** — The Basket Constituents are subject to quarterly rebalancing and maximum weighting caps by asset type and geographical region. By contrast, a synthetic portfolio that does not rebalance quarterly and is not subject to any weighting caps in this manner could see greater compounded gains over time through exposure to a consistently and rapidly appreciating portfolio consisting of the Basket Constituents. Therefore, your return on the CDs may be less than the return you could realize on an alternative investment that was not subject to rebalancing and weighting caps.
- **CHANGES IN THE VALUE OF THE BASKET CONSTITUENTS MAY OFFSET EACH OTHER** — Because the CDs are linked to the Index, which is linked to the performance of the Basket Constituents, which collectively represent a diverse range of asset classes and geographic regions, price movements between the Basket Constituents representing different asset classes or geographic regions may not correlate with each other. At a time when the value of a Basket Constituent representing a particular asset class or geographic region increases, the value of other Basket Constituents representing a different asset class or geographic region may not increase as much or may decline. Therefore, in calculating the level of the Index, increases in the value of some of the Basket Constituents may be moderated, or more than offset, by lesser increases or declines in the level of other Basket Constituents.
- **CORRELATION OF PERFORMANCES AMONG THE BASKET CONSTITUENTS MAY REDUCE PERFORMANCE OF THE CDs** — Performances amongst the Basket Constituents may become highly correlated from time to time during the term of the CDs, including, but not limited to, a period in which there is a substantial decline in a particular sector or asset type represented by the Basket Constituents and which has a higher weighting in the Index relative to any of the other sectors or asset types. High correlation during periods of negative returns among Basket Constituents representing any one sector or asset type and which Basket Constituents have a substantial percentage weighting in the Index could cause you to only receive a return of your principal amount at maturity.
- **AN INVESTMENT IN THE CDs IS SUBJECT TO RISKS ASSOCIATED WITH NON-U.S. SECURITIES MARKETS, INCLUDING EMERGING MARKETS** — Some or all of the securities that compose seven of the nine Basket Constituents of the Index (the MSCI North America Gross Total Return Index, the MSCI Europe Gross Total Return Index, the MSCI Pacific Gross Total Return Index and the MSCI Emerging Markets Gross Total Return Index (together, the “MSCI Indices”), the JPMorgan Emerging Markets Bond Index Plus Composite (the “EMBI+ Composite”), the GPR/JPMorgan High Liquidity Global Property Index (the “Property Index”) and the JPMorgan GBI Global Bond Total Return Index Hedged into U.S. Dollars (the “GBI Total Return Index”)) have been issued by non-U.S. issuers. Investments in securities linked to the value of non-U.S. 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. The impact of any of these risks may enhance or offset some or all of any change resulting from another factor or factors. See “Risk Factors” in the accompanying disclosure statement for more information on these risks.
- **JPMSI AND ITS AFFILIATES MAY HAVE PUBLISHED RESEARCH, EXPRESSED OPINIONS OR PROVIDED RECOMMENDATIONS THAT ARE INCONSISTENT WITH INVESTING IN OR HOLDING THE CDs. ANY SUCH RESEARCH, OPINIONS, OR RECOMMENDATIONS COULD AFFECT THE MARKET VALUE OF THE CDs** — JPMSI and its affiliates publish research from time to time on financial markets and other matters that may influence the value of the CDs, or express opinions or provide recommendations that are inconsistent with purchasing or holding the CDs. JPMSI and its affiliates may have published research or other opinions that call into question the investment view implicit in an investment in the CDs. Any research, opinions or recommendations expressed by JPMSI or its affiliates may not be consistent with each other and may be modified from time to time without notice. Investors should make their own independent investigation of the merits of investing in the CDs and the Basket Constituents and the securities and futures contracts underlying the Basket Constituents to which the CDs are linked.

- **THE CDs ARE SUBJECT TO CURRENCY EXCHANGE RISK** — Because the prices of some or all of the securities composing five of the nine Basket Constituents (the MSCI Indices and the Property Index) (the “Component Securities”) are converted into U.S. dollars for purposes of calculating the value of the relevant Basket Constituent, your CDs will be exposed to currency exchange rate risk with respect to each of the currencies in which the Component Securities trade. Your net exposure will depend on the extent to which such currencies strengthen or weaken against the U.S. dollar and the relative weight of the Component Securities denominated in each such currency. If, taking into account such weighting, the U.S. dollar strengthens against such currencies, the value of the relevant Basket Constituents will be adversely affected and the payment at maturity may be reduced.
- **THE INDEX HAS A LIMITED OPERATING HISTORY** — The Index was established on July 2, 2007, and therefore lacks historical performance. Back-testing or similar analysis in respect of the Index must be considered illustrative only and may be based on estimates or assumptions not used by the index calculation agent when determining the Index values.
- **THE COMMODITY FUTURES CONTRACTS UNDERLYING THE DOW JONES — UBS COMMODITY INDEX TOTAL RETURN ARE SUBJECT TO LEGAL AND REGULATORY REGIMES** — The commodity futures contracts that underlie the Dow Jones — UBS Commodity Index Total Return are subject to legal and regulatory regimes in the United States and, in some cases, in other countries that may change in ways that could adversely affect our ability to hedge our obligations under the CDs and affect the value of the Index. Such regimes may result in the CD calculation agent exercising its discretionary right to exclude or substitute constituents of the Index, which may, in turn, have a negative effect on the level of the Index and your payment at maturity. In addition, we or our affiliates may be unable as a result of such restrictions to effect transactions necessary to hedge our obligations under the CDs, in which case we may, in our sole and absolute discretion, cause the CD calculation agent to determine the value of the Additional Amount for your CDs early. If the Additional Amount for your CDs is determined early as the result of a commodity hedging disruption event, the amount due and payable on your CDs will be due and payable only at maturity and the amount you receive at maturity will not reflect any further appreciation of the Index after such early determination. Please see “General Terms of CDs — Market Disruption Events” and “General Terms of CDs — Consequences of a Commodity Hedging Disruption Event” in the accompanying disclosure statement for more information.
- **INVESTMENTS RELATED TO THE VALUE OF COMMODITIES TEND TO BE MORE VOLATILE THAN TRADITIONAL CD INVESTMENTS** — The market values of commodities tend to be highly volatile. Commodity market values are not related to the value of a future income or earnings stream, as tends to be the case with fixed-income and equity investments, but are subject to variables that are specific to commodities markets. These factors may have a larger impact on commodity prices and commodity-linked instruments than on traditional CDs. These variables may create additional investment risks that cause the value of the CDs to be more volatile than the values of traditional CDs. These and other factors may affect the levels of the constituents included from time to time in the Index, and thus the value of your CDs, in unpredictable or unanticipated ways. The high volatility and cyclical nature of commodity markets may render these investments inappropriate as the focus of an investment portfolio.
- **HIGHER FUTURE PRICES OF THE COMMODITY FUTURES CONTRACTS CONSTITUTING THE DOW JONES — UBS COMMODITY INDEX TOTAL RETURN RELATIVE TO THEIR CURRENT PRICES MAY DECREASE THE AMOUNT PAYABLE AT MATURITY** — As the exchange-traded futures contracts that compose the Dow Jones — UBS Commodity Index Total Return approach expiration, they are replaced by contracts that have a later expiration. If the market for these contracts is (putting aside other considerations) in “backwardation,” where the prices are lower in the distant delivery months than in the nearer delivery months, the sale of the October contract would take place at a price that is higher than the price of the November contract, thereby creating a “roll yield.” While many of the contracts included in the Dow Jones — UBS Commodity Index Total Return have historically exhibited consistent periods of backwardation, backwardation will most likely not exist at all times. The absence of backwardation in the commodity markets could result in negative “roll yields,” which could adversely affect the level of the Dow Jones — UBS Commodity Index Total Return and, therefore, the level of the Index and the value of your CDs.
- **RISKS ASSOCIATED WITH THE REAL ESTATE INDUSTRY WILL AFFECT THE VALUE OF YOUR CDs** — The GPR/JPMorgan High Liquidity Global Property Index, one of the Basket Constituents composing the Index, is composed of a variety of real estate-related equity securities. The following are some of the conditions that might impact the value of the equity securities included in the Property Index and the level of the Property Index, and accordingly, the level of the Index and the value of your CDs:

- a decline in the value of real estate properties;
 - increases in property and operating taxes;
 - increased competition or overbuilding;
 - a lack of available mortgage funds or other limits on accessing capital;
 - tenant bankruptcies and other credit problems;
 - changes in zoning laws and governmental regulations;
 - changes in interest rates; and
 - uninsured damages from floods, earthquakes or other natural disasters.
 - The difficulties described above could cause an upturn or a downturn in the real estate industry generally or regionally and could cause the value of the equity securities composing the Property Index and thus the level of the Property Index to decline or remain flat during the term of the CDs, which may adversely affect the level of the Index and the value of your CDs.
- **THE JPMORGAN GBI GLOBAL BOND TOTAL RETURN INDEX HEDGED INTO U.S. DOLLARS IS USED IN CALCULATING THE LEVEL OF THE INDEX** — The value of the GBI Total Return Index used to calculate the level of Index and therefore the value of your CDs is such value hedged into U.S. dollars, and not the unhedged value of the JPMorgan GBI Global Bond Total Return Index. The unhedged value of the JPMorgan GBI Global Bond Total Return Index is publicly available. However, although the hedged value of the JPMorgan GBI Global Bond Total Return Index is currently available via Bloomberg (ticker “JHDCGBIG”), this value may not be publicly available on Bloomberg throughout the term of your CDs.
 - **CREDIT RATINGS OF THE JPMORGAN EMERGING MARKETS BOND INDEX PLUS COMPOSITE COMPONENTS COULD ADVERSELY AFFECT YOUR RETURN** — The EMBI+ Composite tracks the value of bonds and loans that are rated “Baa1” or below by Moody’s Investor Services, Inc. and “BBB+” or below by Standard & Poor’s, a division of the McGraw Hill Companies, which meet the rules for inclusion in the EMBI+ Composite and are issued by countries deemed to be emerging markets. Emerging markets issuers of the bonds and loans included in the EMBI+ Composite with such ratings are considered by the major credit ratings agencies to have a comparatively high risk of default. If one or more of such issuers does in fact default, the level of the EMBI+ Composite could decrease, which may adversely affect the level of the Index and the value of the CDs.
 - **NO INTEREST OR DIVIDEND PAYMENTS** — As a holder of the CDs, 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 underlying securities composing the Index would have.
 - **LACK OF LIQUIDITY** — The CDs will not be listed on an organized securities exchange. JPMSI and its affiliates may offer to purchase the CDs upon terms and conditions acceptable to them, but are not required to do so. For more information, see “General Terms of the CDs – Additions and Withdrawals” and “Discounts and Secondary Market” in the accompanying disclosure statement dated February 27, 2009.
 - **POTENTIAL CONFLICTS** – We and our affiliates play a variety of roles in connection with the issuance of the CDs, including acting as CD calculation agent, index calculation agent and hedging our obligations under the CDs. In performing these duties, the economic interests of the CD calculation agent and other affiliates of ours are potentially adverse to your interests as an investor in the CDs. In addition, we are currently one of the companies that make up the MSCI Daily TR Gross North America, one of the Basket Components, and JPMSI, one of our affiliates, is the sponsor of three of the Basket Constituents of the Index (the EMBI+ Composite, the GBI Total Return Index and the JPM Cash Index). We will not have any obligation to consider your interests as a holder of the CDs in taking any corporate action that might affect the value of the MSCI Daily TR Gross North America, the EMBI+ Composite, the GBI Total Return Index, the JPM Cash Index and the CDs.

- **LIMITATIONS ON FDIC INSURANCE** — As a general matter, holders who purchase CDs in a principal amount greater than the applicable limits set by federal law and regulation will not be insured by the FDIC for the principal amount exceeding such limit. Before the Economic Stabilization Act, which came into effect on October 3, 2008, the maximum deposit insurance amount was \$100,000 per account or \$250,000 per participant in the case of certain retirement accounts. While the Economic Stabilization Act raised the maximum deposit insurance amount from \$100,000 to \$250,000 per account (without changing limits for retirement accounts), and the Helping Families Save Their Homes Act extended the increased limit until December 31, 2013, that increase is scheduled to expire on December 31, 2013. Unless the increased coverage is extended further by law or regulation, the maximum deposit insurance amount will revert to \$100,000 per account after December 31, 2013, which is before the Maturity Date of the CDs. In addition, the FDIC may take the position that the return on the CDs, which is reflected in the form of the Additional Amount, is not insured until the Observation Date. For more information, see “Deposit Insurance” in the accompanying disclosure statement.
- **OUR AFFILIATE, J.P. MORGAN SECURITIES LTD., IS THE INDEX CALCULATION AGENT AND MAY ADJUST THE INDEX IN A WAY THAT AFFECTS ITS LEVEL** — JPMSL, one of our affiliates, acts as the index calculation agent and is responsible for calculating and maintaining the Index and developing the guidelines and policies governing its composition and calculation. Although judgments, policies and determinations concerning the Index are made by JPMSL, JPMorgan Chase & Co., as the parent company of JPMSL, ultimately controls JPMSL.

In addition, the policies and judgments for which JPMSL is responsible could have an impact, positive or negative, on the level of the Index and the value of your CDs. JPMSL is under no obligation to consider your interests as an investor in the CDs. Furthermore, the inclusion of the Basket Constituents in the Index is not an investment recommendation by us or JPMSL of the Basket Constituents, or any of the securities or futures contracts underlying the Basket Constituents.

- **TAX DISCLOSURE** – The information under “Treated as Contingent Payment Debt Instruments” and “Comparable Yield and Projected Payment Schedule” in this term sheet remains subject to confirmation by our tax counsel. We will notify you of any revisions to the information under “Treated as Contingent Payment Debt Instruments” and “Comparable Yield and Projected Payment Schedule” in a supplement to this term sheet on or before the business day immediately preceding the issue date, or if the information cannot be confirmed by our tax counsel, we may terminate this offering of CDs.

Sensitivity Analysis – Hypothetical Payment at Maturity for Each \$1,000 CD

The table below illustrates the payment at maturity (including, where relevant, the payment of the Additional Amount) for an initial investment in \$1,000 aggregate principal amount of CDs (or an aggregate of 10 CDs) for a hypothetical range of performances for the Index Return from -80% to +80% and assumes a Starting Index Level of 95 and a Participation Rate of 105%. The actual Participation Rate will be determined on the pricing date and will not be less than 105%. The following results are based solely on the hypothetical example cited. You should consider carefully whether the CDs are suitable to your investment goals. The numbers appearing in the table below have been rounded for ease of analysis.

Ending Index Level	Index Return	Index Return x Participation Rate (105%)	Additional Amount	Principal	Payment at Maturity	Annual Percentage Yield
171.00	80.00%	84.00%	\$840.00	+	\$1,000.00 = \$1,840.00	10.70%
161.50	70.00%	73.50%	\$735.00	+	\$1,000.00 = \$1,735.00	9.62%
152.00	60.00%	63.00%	\$630.00	+	\$1,000.00 = \$1,630.00	8.48%
142.50	50.00%	52.50%	\$525.00	+	\$1,000.00 = \$1,525.00	7.29%
133.00	40.00%	42.00%	\$420.00	+	\$1,000.00 = \$1,420.00	6.02%
123.50	30.00%	31.50%	\$315.00	+	\$1,000.00 = \$1,315.00	4.67%
114.00	20.00%	21.00%	\$210.00	+	\$1,000.00 = \$1,210.00	3.23%
109.25	15.00%	15.75%	\$157.50	+	\$1,000.00 = \$1,157.50	2.47%
104.50	10.00%	10.50%	\$105.00	+	\$1,000.00 = \$1,105.00	1.68%
99.75	5.00%	5.25%	\$52.50	+	\$1,000.00 = \$1,052.50	0.86%
95.00	0.00%	0.00%	\$0.00	+	\$1,000.00 = \$1,000.00	0.00%
90.25	-5.00%	0.00%	\$0.00	+	\$1,000.00 = \$1,000.00	0.00%
85.50	-10.00%	0.00%	\$0.00	+	\$1,000.00 = \$1,000.00	0.00%
80.75	-15.00%	0.00%	\$0.00	+	\$1,000.00 = \$1,000.00	0.00%
76.00	-20.00%	0.00%	\$0.00	+	\$1,000.00 = \$1,000.00	0.00%
66.50	-30.00%	0.00%	\$0.00	+	\$1,000.00 = \$1,000.00	0.00%
57.00	-40.00%	0.00%	\$0.00	+	\$1,000.00 = \$1,000.00	0.00%
47.50	-50.00%	0.00%	\$0.00	+	\$1,000.00 = \$1,000.00	0.00%
38.00	-60.00%	0.00%	\$0.00	+	\$1,000.00 = \$1,000.00	0.00%
28.50	-70.00%	0.00%	\$0.00	+	\$1,000.00 = \$1,000.00	0.00%
19.00	-80.00%	0.00%	\$0.00	+	\$1,000.00 = \$1,000.00	0.00%

Hypothetical Examples of Amounts Payable at Maturity

The following examples illustrate how the payments at maturity in the table above are calculated.

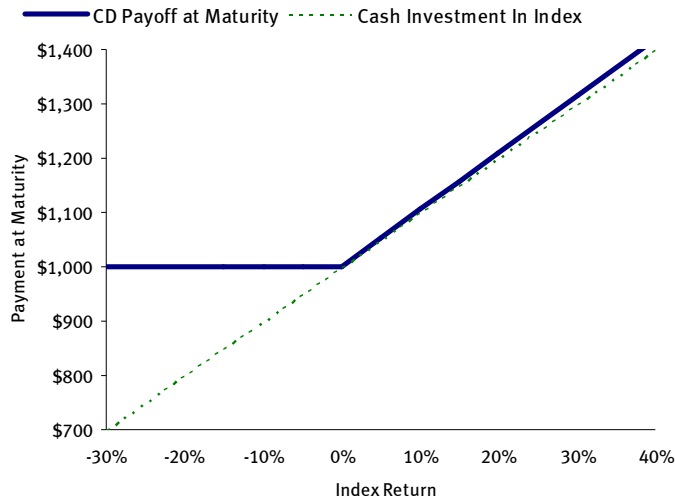
Example 1: The level of the Index increases from the Starting Index Level of 95 to an Ending Index Level of 114. Because the Ending Index Level of 114 is greater than the Starting Index Level of 95, the Additional Amount is equal to \$210 and the final payment at maturity is equal to \$1,210 for the \$1,000 principal amount of CDs, calculated as follows:

$$[\$1,000 + (\$1,000 \times [(114 - 95) / 95] \times 105\%)] = \$1,210$$

Example 2: The level of the Index decreases from the Starting Index Level of 95 to an Ending Index Level of 76. Because the Ending Index Level of 76 is lower than the Starting Index Level of 95 the final payment at maturity is equal to the principal amount of \$1,000 for the \$1,000 principal amount of CDs.

Example 3: The level of the Index neither increases nor decreases from the Starting Index Level of 95 to an Ending Index Level of 95. Because the Ending Index Level of 95 is equal to the Starting Index Level of 95 the final payment at maturity is equal to the principal amount of \$1,000 for the \$1,000 principal amount of CDs.

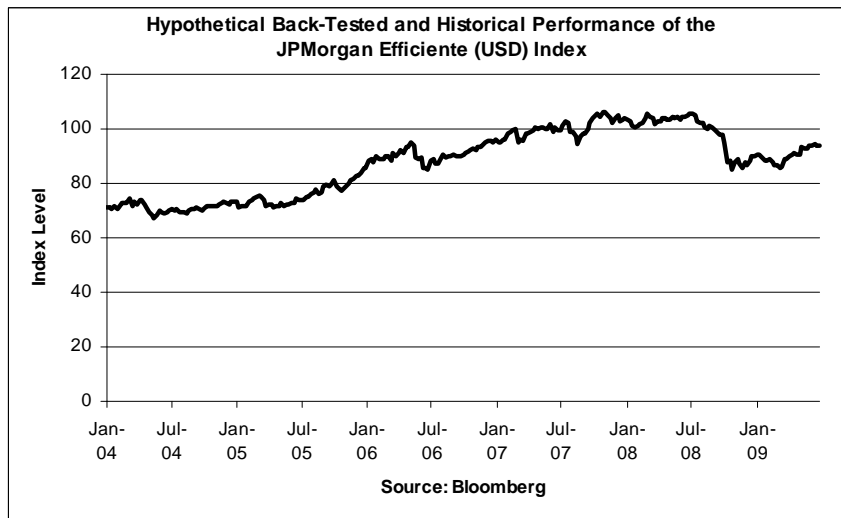
The following graph demonstrates a sub set of the hypothetical returns detailed in the table above. The numbers appearing in the graph have been rounded for ease of analysis. We cannot give you assurance that the performance of the Index will result in the payment at maturity in excess of \$1,000 per \$1,000 CD.



Historical Information

The following graph sets forth the hypothetical back-tested performance of the Index based on the hypothetical back-tested weekly Index closing level from January 2, 2004 through June 29, 2007, and the historical performance of the Index based on the weekly Index closing level from July 6, 2007 through June 26, 2009. The Index was established on July 2, 2007. The Index closing level on June 29, 2009 was 94.26. We obtained the Index closing levels below from Bloomberg Financial Markets. We make no representation or warranty as to the accuracy or completeness of the information obtained from Bloomberg Financial Markets.

The hypothetical back-tested and historical values of the Index should not be taken as an indication of future performance, and no assurance can be given as to the Index closing levels on the pricing date or the Observation Date. We cannot give you assurance that the performance of the Index will result in the return of any of your initial investment in excess of your principal amount. The data for the hypothetical back-tested performance of the Index set forth in the following graph was calculated on materially the same basis on which the performance of the Index is now calculated.



The hypothetical historical values above have not been verified by an independent third party. The back-tested, hypothetical historical results above have inherent limitations. These back-tested results are achieved by means of a retroactive application of a back-tested model designed with the benefit of hindsight.

Alternative modeling techniques or assumptions would produce different hypothetical historical information that might prove to be more appropriate and that might differ significantly from the hypothetical historical information set forth above. Hypothetical back-tested results are neither an indicator nor guarantee of future returns. Actual results will vary, perhaps materially, from the analysis implied in the hypothetical historical information that forms part of the information contained in the chart above.