**Term sheet**
*To disclosure statement dated March 31, 2009*

Subject to Completion
June 30, 2009

# JPMorgan Chase Bank, National Association
## $
## COMMODITY LINKED CDs
## Certificates of Deposit Linked to the JPMorgan Optimax Market-Neutral Index
## due October 31, 2013

### General

- Certificates of deposit (the "CDs") issued by JPMorgan Chase Bank, National Association maturing October 31, 2013*.
- The CDs are designed for investors who seek exposure to any appreciation of the JPMorgan Optimax Market-Neutral Index (the "Index") over the term of the CDs. Investors should be willing to forgo interest payments while seeking full principal protection at maturity. The Index references the value of a synthetic portfolio of 18 commodity constituents, each of which is a sub-index of the S&P GSCI™ Index and is intended to serve as a benchmark value for a particular commodity.
- 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.
- Investing in the CDs is not equivalent to investing in a conventional CD, directly in the JPMorgan Optimax Market-Neutral Index or any of its constituents.
- Minimum denominations of $1,000 (and then in additional increments of $1,000).
- The terms of the CDs as set forth under "Supplemental Information Relating to Postponement of the Observation Date" in this term sheet, to the extent they differ from or conflict with those set forth in "Key Terms" below and in the accompanying disclosure statement, supersede the terms set forth in "Key Terms" below and in the accompanying disclosure statement.
- The CDs are expected to price on or about July 28, 2009 and to settle on or about July 31, 2009.

### Key Terms

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|---|---|
| Index: | The JPMorgan Optimax Market-Neutral Index (the "Index"). For additional information about the Index, please see the section "JPMorgan Optimax Market Neutral Index" on page TS-1 of this term sheet. |
| 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 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; *provided*, that the Additional Amount† will not be less than zero. |
| Participation Rate: | At least 105%. The actual Participation Rate will be determined on the pricing date and 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: | October 28, 2013,* or if such day is not a business day, the following business day. |
| Maturity Date: | October 31, 2013*. |
| 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 $60.00 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 $70.00 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. |
| CUSIP: | 48121C3S3 |
| Calculation Agent: | J.P. Morgan Securities Inc. |

* Subject to postponement in the event of a market disruption event and as described under "Description of the 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 the value of the Additional Amount† payable upon maturity 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

June , 2009

## Additional Terms Specific to the CDs

You should read this term sheet together with the disclosure statement dated March 31, 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 March 31, 2009:

www.jpmorgan.com/directdoc/jpm_optimax_disclosure_statement_3_31_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

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 Optimax Market-Neutral Index

The JPMorgan Optimax Market-Neutral Index was developed and is maintained by J.P. Morgan Securities Ltd. ("JPMSL"), one of our affiliates. JPMSL acts as the calculation agent for the Index (the "Optimax Calculation Agent"). The Index references the value of a synthetic portfolio of 18 commodity constituents (the "Constituents"), each of which is a sub-index of the S&P GSCI™ Index ("S&P GSCI™") and is intended to serve as a benchmark value for a particular commodity.

The Index employs a strategy that is based on modern portfolio theory and momentum theory. Each month, the Optimax Calculation Agent will rebalance the Index to take synthetic long and short positions in the Constituents based on mathematical rules that account for the following variables: a) the returns of each Constituent over the preceding twelve months, which are used to determine the estimated return of each Constituent in the following month (after accounting for any effects of seasonality), b) the covariance between the Constituents, which is a measure of the degree to which two Constituents change relative to each other, c) the volatility of the Constituents over the preceding three months and the preceding twelve months; and d) constraints applicable to the weights of the Constituents of each Index.

The Optimax Market-Neutral Index is rebalanced monthly in a manner that resets the aggregate weighting of the Constituents to zero and applies certain volatility and diversification constraints. After accounting for these factors, the Index will generally take long synthetic positions in the Constituents with positive estimated future returns and short synthetic positions in the Constituents with negative estimated future returns (although in certain circumstances, the Index might take short synthetic positions in Constituents with positive estimated future returns or long synthetic positions in Constituents with negative estimated future returns to account for seasonality of certain commodities).

The rebalancing algorithm is intended to take advantage of the insights of modern portfolio theory and momentum theory. Modern portfolio theory analyzes the relationship between assets contained within a portfolio, and allocates the weights of those assets in an effort to obtain an "efficient" portfolio (i.e., a portfolio with the highest expected return for a given level of risk). Momentum theory seeks to capitalize on positive and negative trends in the levels of the Constituents on the assumption that if certain Constituents performed well or poorly in the past, they will continue to perform well or poorly in the future.

The value of the JPMorgan Optimax Market-Neutral Index is the value of the synthetic portfolio, less a hypothetical replication adjustment factor, a fee of 0.96% per annum.

The value of the JPMorgan Optimax Market-Neutral Index is published each trading day under the Bloomberg ticker symbol "CMDTOMER".

**See "The JPMorgan Optimax Market-Neutral Index" in the accompanying disclosure statement for more information on the Index.**

## Supplemental Information Relating to Postponement of the Observation Date

For purposes of the CDs offered by this term sheet, the information set forth under "Description of CDs — CDs with a maturity of more than one year" in the accompanying disclosure statement is deemed to be replaced by the following:

"The Observation Date is subject to postponement as described below. If the Observation Date is not a trading day or if there is a market disruption event on the Observation Date, the Observation Date will be postponed to the immediately succeeding trading day during which no market disruption event shall have occurred or be continuing; provided that (i) if the Optimax Calculation Agent published a closing level for the Index for the Observation Date on the Observation Date but on or prior to such succeeding trading day retroactively publishes an updated closing level for the Index for the Observation Date, the calculation agent will determine the Index closing level for the Observation Date using such retroactively updated closing level; (ii) if the Optimax Calculation Agent published a closing level for the Index for the Observation Date on the Observation Date and on or prior to such succeeding trading day does not retroactively publish an updated closing level for the Index for the Observation Date, the calculation agent will determine the Index closing level for the Observation Date using the originally published closing level; (iii) if the Optimax Calculation Agent did not publish a closing level for the Index for the Observation Date on the Observation Date but on or prior to such succeeding trading day retroactively publishes a closing level for the Index for the Observation Date, the calculation agent will determine the Index closing level for the Observation Date using such retroactively published closing level; and (iv) if the Optimax Calculation Agent did not publish a closing level for the Index for the Observation Date on the Observation Date and on or prior to such succeeding trading day does not retroactively publish a closing level for the Index for the Observation Date, the calculation agent will determine the Index closing level for the Observation Date using the closing level of the Index published on such succeeding trading day.

In no event, however, will the Observation Date be postponed more than ten business days following the date originally scheduled to be the Observation Date. If the tenth business day following the date originally scheduled to be the Observation Date is not a trading day or if there is a market disruption event on such tenth business day, the calculation agent will determine the Index closing level on such date in accordance with the formula for and method of calculating the Index closing level last in effect prior to commencement of the market disruption event (or prior to the non-trading day), using the relevant contract price (or, if trading in the relevant commodity futures contract has been materially suspended or materially limited, the calculation agent's good faith estimate of the relevant contract price that would have prevailed but for such suspension or limitation or non-trading day) on such tenth business day of each commodity futures contract most recently constituting the Index."

### 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 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 DYNAMIC BASKET OF SUB-INDICES REFERENCING CERTAIN SUB-ASSET CLASSES OF THE GLOBAL COMMODITY MARKET** — The return on the CDs is linked to the performance of the JPMorgan Optimax Market-Neutral Index. The Index references the value of a synthetic portfolio drawn from certain sub-indices of the S&P GSCI™ using an investment strategy that is based on modern portfolio theory and momentum theory. The Index is not representative of a pure commodity allocation and is not designed to replicate or track commodity markets or any of its Constituents. Rather, the Index seeks to deliver a market-neutral investment in commodities. The rebalancing method seeks to capitalize on positive or negative trends in the U.S. dollar level of the Constituents on the assumption that if particular Constituents performed well or poorly in the past, they will continue to perform well or poorly in the future. See "The JPMorgan Optimax Market-Neutral Index" in the accompanying disclosure statement.
- **TAXED AS CONTINGENT PAYMENT DEBT INSTRUMENTS** — You should review carefully the section entitled "Certain U.S. Federal Income Tax Consequences" in the accompanying disclosure statement. 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 the "comparable yield," as determined by us, although we will not make any payments with respect to the CDs until maturity. Interest included in income will increase your basis in your CDs. Generally, amounts received at maturity or earlier sale or exchange in excess of your basis will be treated as additional interest income while any loss will be treated as an ordinary loss to the extent of all

previous inclusions with respect to your CDs, which will be deductible against other income (*e.g.*, employment and interest income), with the balance treated as capital loss, which may be subject to limitations. Special rules may apply if the Additional Amount† is determined prior to the Observation Date as a result 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 the issue price should consult their tax advisers with respect to the tax consequences of an investment in CDs, including the treatment of the difference, if any, between their basis in their 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" in the accompanying disclosure statement, 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 2.69%, compounded semiannually. The actual comparable yield that we will determine for the CDs may be more or less than 2.69%, and will depend upon variety of factors, including 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 S&P GSCI™ , any sub-indices of the S&P GSCI™, in any of the commodities whose futures contracts determine the levels of S&P GSCI™ sub-indices or the Constituents of the Index, or in any contracts relating to such commodities for which there is an active secondary market. 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 MAY 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 in the Index Constituents or contracts related to the Index or its Constituents. If the Ending Index Level does not exceed the Starting Index Level, 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 through one or more of our affiliates. 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 the 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 REPORTED LEVEL OF THE INDEX WILL INCLUDE THE DEDUCTION OF A HYPOTHETICAL REPLICATION ADJUSTMENT FACTOR OF 0.96% PER ANNUM –** One way in which the Index differs from a typical index is that its daily reported levels include a deduction of a hypothetical replication adjustment factor, a fee assessed at an annual rate of 0.96% of the aggregate value of its Constituents. This hypothetical fee is deducted daily and calculated based on an actual/360 accrual basis. As a result of the deduction of this amount, the value of an investment linked to the level of the Index will trail the value of a hypothetical identically constituted synthetic portfolio from which no such amount is deducted.
- **THE JPMORGAN OPTIMAX MARKET-NEUTRAL INDEX IS NOT REPRESENTATIVE OF A PURE COMMODITIES ALLOCATION AND IS NOT DESIGNED TO REPLICATE OR TRACK COMMODITIES MARKETS, THE S&P GSCI™ OR ANY OR ALL OF THE SUB-INDICES OF THE S&P GSCI™ —** The Index seeks to replicate a synthetic portfolio that references certain S&P GSCI™ sub-indices, but its performances will not reflect the underlying performance of the commodities markets as a whole. The Index is designed to create the largest expected return, within certain constraints, through synthetic investment in long and short positions. The S&P GSCI™, in contrast, seeks to allocate weights based on the relative importance of

component commodities within the overall economy and assumes relatively constant exposure to specific commodity positions. The Index is not designed to replicate or track commodities markets, the S&P GSCI™ or any or all of the sub-indices of the S&P GSCI™. For any given period, the commodities markets, the S&P GSCI™ or any or all of the sub-indices of the S&P GSCI™ may have positive or significantly positive performance, and the Index may have negative or significantly negative performance, in absolute terms or relative to the S&P GSCI™ or any of its sub-indices. An increase in the value of commodities will not necessarily result in an increase in the values of the Index.

- **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 variables include changes in supply and demand relationships, governmental programs and policies, national and international monetary, trade, political and economic events, changes in interest and exchange rates, speculation and trading activities in commodities and related contracts, weather, and agricultural, trade, fiscal and exchange control policies. 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.
- **COMMODITY FUTURES CONTRACTS ARE SUBJECT TO UNCERTAIN LEGAL AND REGULATORY REGIMES —** The commodity futures contracts that underlie the Constituents of the Index 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. The United States Congress has considered legislation that might, if enacted, establish limits on positions in commodity futures contracts or eliminate or modify exemptions from already-existing position limits. Such restrictions may result in the Optimax Calculation Agent exercising its discretionary right under the Index Rules 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. Please see “The JPMorgan Optimax Market-Neutral Index — Extraordinary Events Affecting the Optimax Market-Neutral Index and its Constituents” in the accompanying disclosure statement for more information. 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 note calculation agent to determine the value of the Additional Amount† for your CDs early, on the date on which a commodity hedging disruption event occurred, which may be significantly earlier than the scheduled Observation Date. 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 the CDs — Consequences of a Commodity Hedging Disruption Event" in the accompanying disclosure statement for more information.
- **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 and negative market price trends based on the supposition that positive and negative market price trends are likely to 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 a commodity that has experienced price declines, but after which experiences a sudden price spike, or has experienced price increases, but after which experiences a sudden price decline. Further, the rules of the Index limit exposure to rapidly appreciating or depreciating Constituents. This is because the Index rebalances its exposure to Constituents each month so that the weight assigned to any one Constituent is not less than -10% or greater than 10%. By contrast, a synthetic portfolio that does not rebalance monthly in this manner could see greater compounded gains over time through greater exposure to a consistently and rapidly appreciating or depreciating constituent.
- **OWNING THE CDs IS NOT THE SAME AS OWNING ANY COMPONENTS OF THE S&P GSCI™ WHICH ARE CONSTITUENTS OF THE INDEX, OR COMMODITIES CONTRACTS THAT UNDERLIE THE CONSTITUENTS OF THE INDEX —** The return on your CDs will not reflect the return you would realize if you actually held or sold short the commodity contracts replicating the constituents of the Index. The Index’s synthetic portfolio is a hypothetical construct that does not hold any underlying assets of any kind. As a result, a holder of the CDs will not have any direct or indirect rights to any commodity contracts or interests in the Constituents. Furthermore, the Index’s synthetic portfolio is subject to monthly rebalancing and the assessment of a hypothetical replication adjustment factor, a fee assessed at an annual rate of 0.96%, that will reduce the value of the Index relative to the value of the Constituents.
- **BECAUSE THE INDEX MAY INCLUDE NOTIONAL SHORT POSITIONS, THE INDEX MAY BE SUBJECT TO ADDITIONAL RISKS —** The Index employs a technique generally known as a “long-short” strategy. This means the Index could include a number of notional long positions and a number of notional short

positions. Unlike long positions, short positions are subject to unlimited risk of loss because there is no limit on the amount by which the price that the relevant asset may appreciate before the short position is closed. It is possible that any notional short position included in the Index may appreciate substantially with an adverse impact on the Index value and your CDs.

- **THE INDEX LACKS AN OPERATING HISTORY —** The Index was established on May 6, 2008, and therefore lacks historical performance. In addition, the Index Rules were not formalized until June 27, 2008 and were amended on December 2, 2008. For the period from and including May 6, 2008 to, but excluding, June 27, 2008, the Index was calculated using formulas that were substantially similar to the formulas set forth in the Index Rules. 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 calculation agent when determining the Index values.
- **NO INTEREST PAYMENTS —** As a holder of the CDs, you will not receive any interest payments.
- **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 March 31, 2009.
- **POTENTIAL CONFLICTS —** We and our affiliates play a variety of roles in connection with the issuance of the CDs, including acting as Optimax Calculation Agent, which is the entity that calculates the Index values, and acting as calculation agent and hedging our obligations under the CDs. In performing these duties, the economic interests of the Optimax Calculation Agent, the calculation agent and other affiliates of ours are potentially adverse to your interests as an investor in the CDs. 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 Constituents in the Index is not an investment recommendation by us or JPMSL of the Constituents, or any of the commodity futures contracts underlying the Constituents.
- **OUR AFFILIATE, J.P. MORGAN SECURITIES LTD., IS THE OPTIMAX CALCULATION AGENT AND MAY ADJUST THE INDEX IN A WAY THAT AFFECTS ITS LEVEL —** JPMSL, one of our affiliates, acts as the Optimax 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.
- **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. 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.
- **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 principal amount of CDs for a hypothetical range of performances for the Index Return from -80% to +80% and assumes a Starting Index Level of 90 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 |
|---|---|---|---|---|---|---|---|---|
| 162.00 | 80.00% | 84.00% | $840 | + | $1,000 | = | $1,840 | 15.43% |
| 153.00 | 70.00% | 73.50% | $735 | + | $1,000 | = | $1,735 | 13.84% |
| 144.00 | 60.00% | 63.00% | $630 | + | $1,000 | = | $1,630 | 12.18% |
| 135.00 | 50.00% | 52.50% | $525 | + | $1,000 | = | $1,525 | 10.44% |
| 126.00 | 40.00% | 42.00% | $420 | + | $1,000 | = | $1,420 | 8.60% |
| 117.00 | 30.00% | 31.50% | $315 | + | $1,000 | = | $1,315 | 6.66% |
| 108.00 | 20.00% | 21.00% | $210 | + | $1,000 | = | $1,210 | 4.59% |
| 103.50 | 15.00% | 15.75% | $158 | + | $1,000 | = | $1,158 | 3.50% |
| 99.00 | 10.00% | 10.50% | $105 | + | $1,000 | = | $1,105 | 2.38% |
| 94.50 | 5.00% | 5.25% | $53 | + | $1,000 | = | $1,053 | 1.21% |
| **90.00** | **0.00%** | **0.00%** | **$0** | **+** | **$1,000** | **=** | **$1,000** | **0.00%** |
| 85.50 | -5.00% | 0.00% | $0 | + | $1,000 | = | $1,000 | 0.00% |
| 81.00 | -10.00% | 0.00% | $0 | + | $1,000 | = | $1,000 | 0.00% |
| 76.50 | -15.00% | 0.00% | $0 | + | $1,000 | = | $1,000 | 0.00% |
| 72.00 | -20.00% | 0.00% | $0 | + | $1,000 | = | $1,000 | 0.00% |
| 63.00 | -30.00% | 0.00% | $0 | + | $1,000 | = | $1,000 | 0.00% |
| 54.00 | -40.00% | 0.00% | $0 | + | $1,000 | = | $1,000 | 0.00% |
| 45.00 | -50.00% | 0.00% | $0 | + | $1,000 | = | $1,000 | 0.00% |
| 36.00 | -60.00% | 0.00% | $0 | + | $1,000 | = | $1,000 | 0.00% |
| 27.00 | -70.00% | 0.00% | $0 | + | $1,000 | = | $1,000 | 0.00% |
| 18.00 | -80.00% | 0.00% | $0 | + | $1,000 | = | $1,000 | 0.00% |

### Hypothetical Examples of Amounts Payable at Maturity

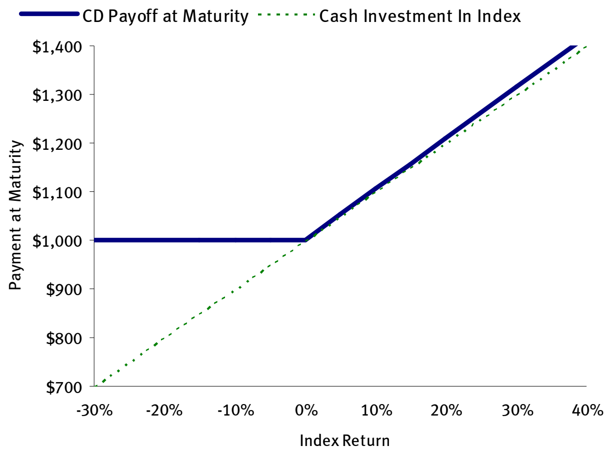
The following examples illustrate how the payments at maturity in the table above are calculated.

**Example 1: The level of the Index increases from the Starting Index Level of 90 to an Ending Index Level of 108.** Because the Ending Index Level of 108 is greater than the Starting Index Level of 90, 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 x [(108 – 90) / 90] x 105%) = $1,210

**Example 2: The level of the Index decreases from the Starting Index Level of 90 to an Ending Index Level of 72.** Because the Ending Index Level of 72 is lower than the Starting Index Level of 90 the final payment at maturity is equal to the principal amount of $1,000 for the $1,000 principal amount of CDs.

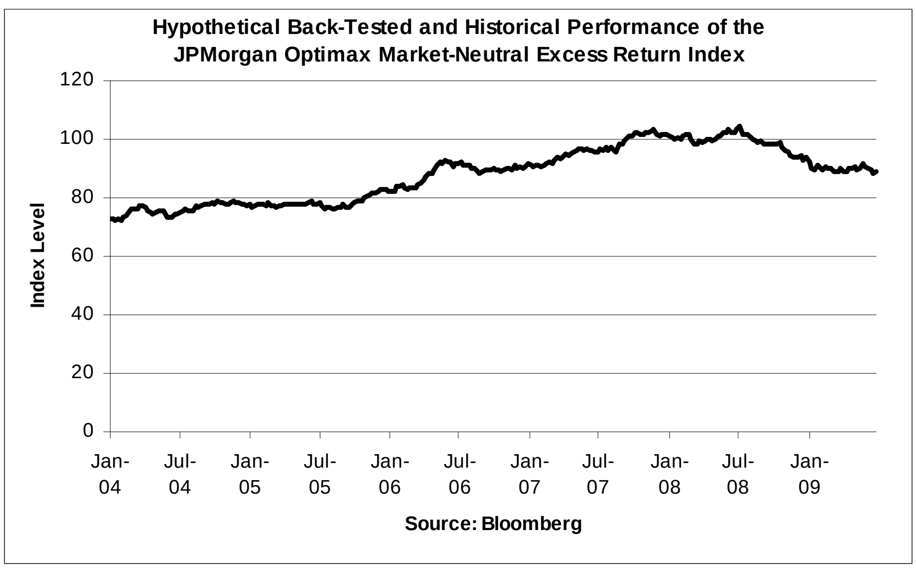
The following graph demonstrates a sub set of the hypothetical returns detailed in the table above. The numbers appearing in the graph have been rounded for ease of analysis. We cannot give you assurance that the performance of the Index will result in the payment at maturity in excess of $1,000 per $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 May 2, 2008, and the historical performance of the Index based on the weekly Index closing level from May 9, 2008 through June 26, 2009. The Index was established on May 6, 2008. The Index closing level on June 29, 2009 was 89.377. We obtained the Index closing levels below from Bloomberg. We make no representation or warranty as to the accuracy or completeness of the information obtained from Bloomberg.

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. Hypothetical daily performance data for the Index is net of the hypothetical replication adjustment factor, a fee assessed at an annual rate of 0.96%.




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.