

Report Prepared On: 02/02/13

Structured Product Details

Name	Single Observation Reverse Exchangeable Notes linked to Lincoln National Corporation
Issue Size	\$400,000
Issue Price	\$1,000
Term	12 Months
Annualized Coupon	8.75%
Pricing Date	April 25, 2012
Issue Date	April 30, 2012
Valuation Date	April 25, 2013
Maturity Date	April 30, 2013
Issuer	JPMorgan
CDS Rate	37.95 bps
Swap Rate	1.04%
Reference Asset	Lincoln National Corp.'s stock
Initial Level	\$24.63
Trigger Price	\$18.47
Conversion Price	TBD
Dividend Rate	1.05%
Implied Volatility Delta¹	37.77% 0.4
Fair Price at Issue	\$958.68
CUSIP	48125VWN6
SEC Link	www.sec.gov/Archives/edgar/data/19617/000095010312002217/dp30209_424b2-ps346.htm

Single Observation Reverse Exchangeable Notes linked to Lincoln National Corporation

Description

JPMorgan issued \$400,000 of Single Observation Reverse Exchangeable Notes linked to Lincoln National Corporation on April 30, 2012 at \$1,000 per note.

These notes are JPMorgan-branded single observation reverse convertibles. Single observation reverse convertibles pay periodic interest coupons and at maturity convert into shares of the reference security if the price of the reference security at the notes' maturity is below the trigger price determined when the notes were issued.

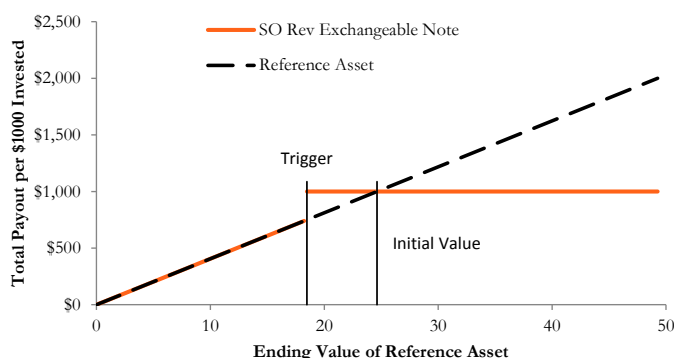
These 12-month notes pay monthly coupons at an annualized rate of 8.75%. In addition to the monthly coupons, on April 30, 2013 investors will receive the market value of 40.60 shares of Lincoln National Corp.'s stock if on April 25, 2013 Lincoln National Corp.'s stock closes below \$18.47 (75% of Lincoln National Corp.'s stock price on April 25, 2012). Otherwise, investors will receive the \$1,000 face value per note.

Valuation

This JPMorgan single observation reverse convertible linked to Lincoln National Corp.'s stock can be valued as a combination of a note from JPMorgan and a short European out-of-the-money cash-or-nothing binary put option, and a short European out-of-the-money put option on Lincoln National Corp.'s stock. For reasonable valuation inputs this note was worth \$958.68 per \$1,000 when it was issued on April 30, 2012 because investors were effectively being paid only \$72.79 for giving JPMorgan options which were worth \$114.11.

There is no active secondary market for most structured products. Structured products, including this note, therefore are much less liquid than simple stocks, bonds, notes and mutual funds. Investors are likely to receive less than the structured product's estimated market value if they try to sell the structured product prior to maturity. Our valuations do not incorporate this relative lack of liquidity and therefore should be considered an upper bound on the value of the structured product.

Payoff Curve at Maturity



The payoff diagram shows the final payoff of this note given Lincoln National Corp.'s stock price (horizontal axis). For comparison, the dashed line shows the payoff if you invested in Lincoln National Corp.'s stock directly.

Related Research

Research Papers:
www.slcg.com/research.php

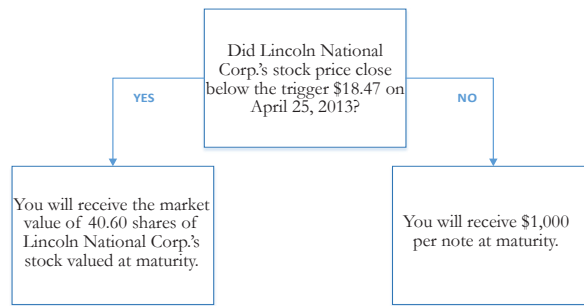
- "Are Structured Products Suitable for Retail Investors?" December 2006.
- "Structured Products in the Aftermath of Lehman Brothers," November 2009.
- "What TiVo and JP Morgan Teach Us about Reverse Convertibles," June 2010.

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Principal Payback Table

Lincoln National Corp.'s Stock	Note Payoff
\$0.00	\$0.00
\$2.46	\$100.00
\$4.93	\$200.00
\$7.39	\$300.00
\$9.85	\$400.00
\$12.32	\$500.00
\$14.78	\$600.00
\$17.24	\$700.00
\$19.70	\$1,000.00
\$22.17	\$1,000.00
\$24.63	\$1,000.00
\$27.09	\$1,000.00
\$29.56	\$1,000.00
\$32.02	\$1,000.00
\$34.48	\$1,000.00
\$36.95	\$1,000.00

Maturity Payoff Diagram



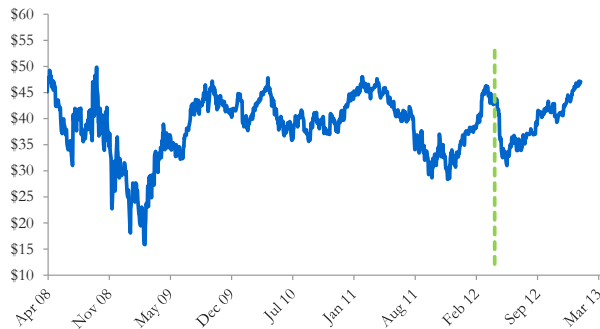
The contingent payoffs of this Single Observation Reverse Exchangeable Note.

Analysis

This single observation reverse convertible's 8.75% coupon rate is higher than the yield JPMorgan paid on its straight debt but, in addition to JPMorgan's credit risk, investors bear the risk that they will receive shares of Lincoln National Corp.'s stock when those shares are worth substantially less than the face value of the note at maturity.

Investors purchasing these reverse convertibles effectively sell put options to JPMorgan and post the note's issue price as collateral to secure satisfaction of the investors' obligations under the option contracts. JPMorgan pays investors a "coupon" that is part payment for the put options and part interest on the investors' posted collateral. This reverse convertible is fairly priced if and only if the difference between the reverse convertible's "coupon rate" and interest paid on JPMorgan's straight debt equals the value of the put option investors are giving to JPMorgan. Whether this reverse convertible is suitable or not is identically equivalent to whether selling put options on the reference stock at the option premium being paid by JPMorgan was suitable for the investor.

JPMorgan's Stock Price



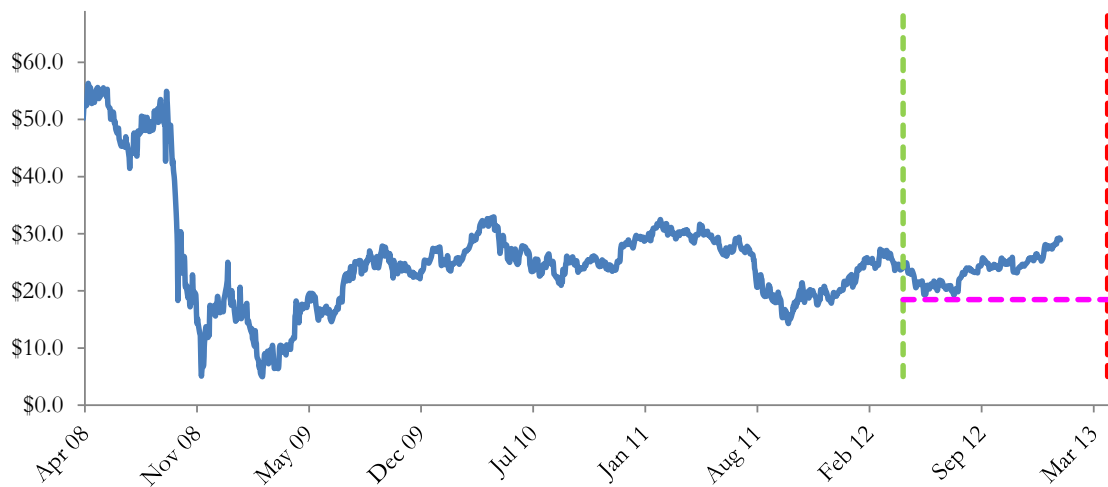
The graph above shows the adjusted closing price of the issuer JPMorgan for the past several years. The stock price of the issuer is an indication of the financial strength of JPMorgan. The adjusted price shown above incorporates any stock split, reverse stock split, etc.

JPMorgan's CDS Rate



Credit default swap (CDS) rates are the market price that investors require to bear credit risk of an issuer such as JPMorgan. CDS rates are usually given in basis points (bps). One basis point equals 0.01%. Higher CDS rates reflect higher perceived credit risk, higher required yields, and therefore lower market value of JPMorgan's debt, including outstanding Single Observation Reverse Exchangeable Note. Fluctuations in JPMorgan's CDS rate impact the market value of the notes in the secondary market.

Lincoln National Corp.'s Stock Price

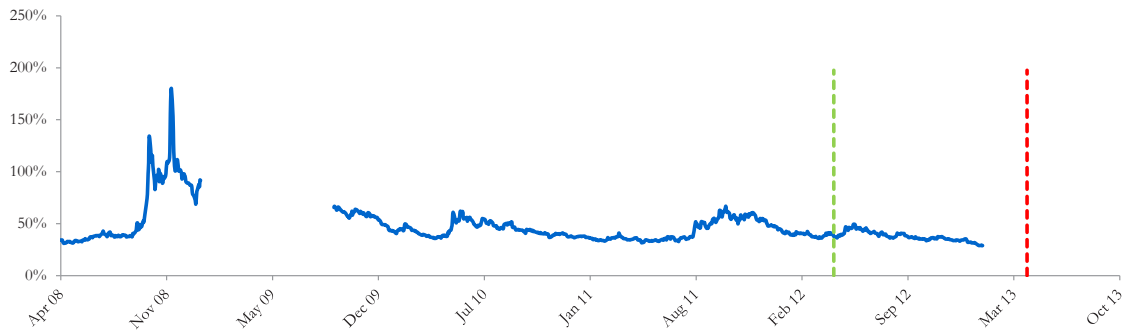


The graph above shows the historical levels of Lincoln National Corp.'s stock for the past several years. The final payoff of this note is determined by Lincoln National Corp.'s stock price at maturity. Higher fluctuations in Lincoln National Corp.'s stock price correspond to a greater uncertainty in the final payout of this Single Observation Reverse Exchangeable Note.

Realized Payoff

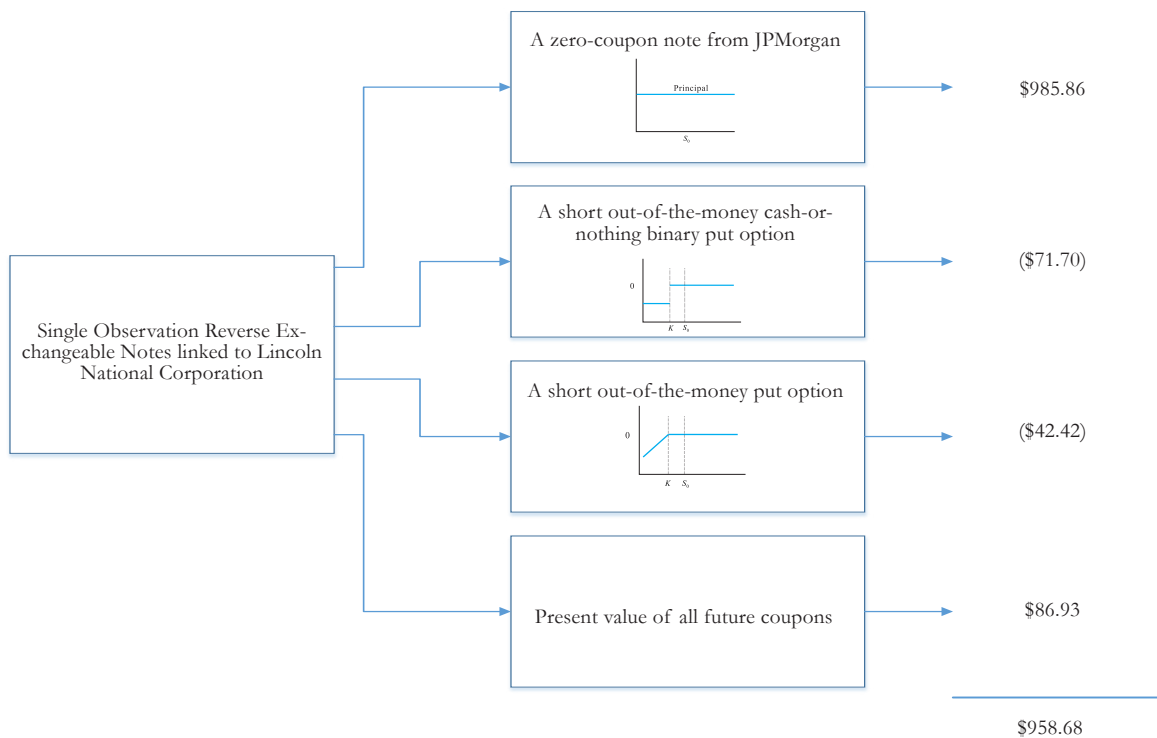
This product will mature on April 30, 2013.

Reference Asset Lincoln National Corp.'s Stock's Implied Volatility



The annualized implied volatility of Lincoln National Corp.'s stock on April 25, 2012 was 37.77%, meaning that options contracts on Lincoln National Corp.'s stock were trading at prices that reflect an expected annual volatility of 37.77%. The higher the implied volatility, the larger the expected fluctuations of Lincoln National Corp.'s stock price and of the Note's market value during the life of the Notes.

Decomposition of this Single Observation Reverse Exchangeable Note



This note can be decomposed into different components, and each component can be valued separately. The chart above shows the value of each component of this Single Observation Reverse Exchangeable Note.

1. Delta measures the sensitivity of the price of the note to the Lincoln National Corp.'s stock price on April 25, 2012.
2. CDS rates can be considered a measure of the probability that an issuer will default over a certain period of time and the likely loss given a default. The lower the CDS rate, the lower the default probability. CDS rate is given in basis points (1 basis point equals 0.01%), and is considered as a market premium, on top of the risk-free rate, that investors require to insure against a potential default.
3. Fair price evaluation is based on the Black-Scholes model of the Lincoln National Corp.'s stock on April 25, 2012.
4. Calculated payout at maturity is only an approximation, and may differ from actual payouts at maturity.
5. Our evaluation does not include any transaction fees, broker commissions, or liquidity discounts on the notes.