DISCLOSURE STATEMENT

JPMorganChase

Absolute Return Barrier Certificates of Deposit
JPMorgan Chase Bank, N.A.
270 Park Avenue, New York, New York 10017
(212) 270-6000

We, JPMorgan Chase Bank, N.A. (the "Bank"), are offering our certificates of deposit ("CDs") from time to time. We describe the terms that will generally apply to these CDs in this disclosure statement. We will describe the specific terms of any particular CDs we are offering in a separate term sheet or disclosure supplement. We refer to such term sheets and disclosure supplements generally in this disclosure statement as term sheets. If the terms described in the term sheet are inconsistent with those described herein, the terms described in the relevant term sheet will control.

The following terms may apply to particular CDs we may offer:

REDEMPTION: The CDs may be either callable by us or puttable by you.

PAYMENTS: Payments on the CDs will be linked to the performance of one or more indices (each, an "**Index**" and, collectively, the "**Indices**") as specified in the relevant term sheet.

OTHER TERMS: As specified under "Description of the CDs" and in the attached term sheet.

Investing in the CDs involves risks, including the risk that you will receive no more than the full principal amount of your CDs at maturity. See the section entitled "Risk Factors" on page 5.

The CDs will be obligations of JPMorgan Chase Bank, N.A. only, and not obligations of your broker or any affiliate of JPMorgan Chase Bank, N.A., including J.P. Morgan Securities Inc., JPMorgan Investment Management Inc. or J.P. Morgan Chase & Co.

The principal amount of the CDs is insured by the Federal Deposit Insurance Corporation (the "**FDIC**") within the limits and to the extent described in this disclosure statement (generally $100,000 for all accounts held by a depositor in the same ownership capacity with JPMorgan Chase Bank, N.A. and, effective April 1, 2006, $250,000 per participant for certain retirement accounts as described in the section entitled "Deposit Insurance" in this disclosure statement). A depositor purchasing a principal amount of CDs that is in excess of $100,000 or $250,000, as applicable, or which, together with other deposits that it maintains at JPMorgan Chase Bank, N.A. in the same ownership capacity, is in excess of such limits should not rely on the availability of deposit insurance with respect to such excess. In addition, the Variable Return (as defined herein) payable at maturity, if any, based upon changes in one or more Indices (as defined herein) and any secondary market premium paid by a depositor above the principal amount of the CDs will not be insured by the FDIC until the amount is determined on the Final Valuation Date.

Our affiliate, J.P. Morgan Securities, Inc. and other broker-dealers may use this disclosure statement and an accompanying term sheet in connection with the offers and sales of the CDs after the date hereof. J.P. Morgan Securities, Inc. may act as principal or agent in those transactions.

JPMorgan

August 5, 2008

DESCRIPTION OF THE CDS

General

At maturity, the CDs will pay the principal amount plus a variable return, if any (the "**Variable Return**"), which, unless otherwise provided in the relevant term sheet, will either be related to the change in the value of one or more indices (each, an "**Index**" and together, the "**Indices**") over the term of the CDs, or a fixed payment, as set forth in the relevant term sheet. The Bank will be obligated to repay the principal amount plus the Variable Return or Minimum Return, if any, of the CDs at maturity regardless of any changes in the Index or the Indices, as applicable. The Variable Return, if any, will be paid at the stated Maturity Date of the CDs, together with the principal amount of the CDs, unless otherwise described in the relevant term sheet. Other terms relating to particular CDs we may offer, including any special tax considerations, will be described in the relevant term sheet.

On the stated Maturity Date you will receive the principal amount of your CD plus the Variable Return or the Minimum Return, if any. There will be no other payments, including payments of interest, periodic or otherwise, prior to the Maturity Date.

Unless otherwise specified in the relevant term sheet, the CDs will be denominated in U.S. dollars in denominations of $1,000. The deposit amount for the CDs is $1,000 and then in additional increments of $1,000. CDs are only insured within the limits and to the extent described herein under the section entitled "Deposit Insurance."

You should compare the features of the CDs to other available investments before deciding to purchase a CD. Due to the uncertainty as to whether the CDs will earn the Variable Return prior to the stated Maturity Date, the returns which may be received with respect to the CDs may be higher or lower than the returns available on other deposits available at the Bank or through your brokers. It is suggested that you reach an investment decision only after carefully considering the suitability of an investment in the CDs in light of your particular circumstances.

Payment at Maturity

The Maturity Date for the CDs will be set forth in the relevant term sheet and is subject to adjustment if such day is not a Business Day or if the final Valuation Date is postponed as described below. We will specify, in each case if applicable, the Variable Return, Minimum Return, Maximum Return, Participation Rate and any other applicable payment terms in the relevant term sheet.

The return on the CDs will be linked to the performance during the life of the CDs of one or more Indices, as specified in the relevant term sheet.

Unlike ordinary bank deposits, the CDs do not pay interest at regular periods. Instead, at maturity you will receive a cash payment for each $1,000 CD of $1,000 plus the Variable Return or the Minimum Return, if any.

Unless otherwise specified in the relevant term sheet, at maturity you will receive a cash payment for each $1,000 CD of $1,000 plus the "Variable Return," calculated as follows:

(1) If the Level (for CDs with continuous monitoring) or the Closing Level (for CDs with daily monitoring) of any Index on each Trading Day during the Observation Period is less than or equal to the applicable Upper Index Barrier and greater than or equal to the applicable Lower Index Barrier, the "**Variable Return**" will be equal to either:

(a) an amount equal to $1,000 x the Absolute Index Return x the Participation Rate (if applicable), *provided that* the Variable Return will not be less than zero or greater than the Maximum Return, if applicable; or

(b) a fixed dollar amount, as specified in the relevant term sheet, which we refer to as the "**Fixed Payment**"; or

(2) If the Level (for CDs with continuous monitoring) or the Closing Level (for CDs with daily monitoring) of any Index on any Trading Day during the Observation Period is greater than the applicable Upper Index Barrier or less than the applicable Lower Index Barrier, the Variable Return will be equal to zero, or the Minimum Return, if applicable.

The relevant term sheet will set forth the calculation of the Variable Return applicable to your CDs.

Unless otherwise specified in the relevant term sheet, the "**Absolute Index Return**," as calculated by the calculation agent, is the absolute value of the percentage change in the Closing Level of the applicable Index, calculated by comparing the Closing Level of such Index on the final Valuation Date or such other date as specified in the relevant terms sheet or the average of the Closing Levels of such Index on each of the Ending Averaging Dates (the "**Index Ending Level**"), to the Closing Level of such Index on the trade date or such other date as specified in the relevant term sheet (the "**Index Starting Level**") or Strike Level, if applicable. The relevant term sheet will specify the manner in which the Index Starting Level (or Strike Level, if applicable) and the Index Ending Level are determined. The "Absolute Index Return," unless otherwise specified in the relevant term sheet, is calculated as follows:

$$\text{Absolute Index Return} = \text{The absolute value of: } \frac{\text{Index Ending Level} - \text{Index Starting Level (or Strike Level, if applicable)}}{\text{Index Starting Level (or Strike Level, if applicable)}}$$

The "**Upper Index Barrier**" will be a percentage of the Index Starting Level (or Strike Level, if applicable), as set forth in the relevant terms sheet.

The "**Lower Index Barrier**" will be a percentage of the Index Starting Level (or Strike Level, if applicable), as set forth in the relevant terms sheet.

The "**Absolute Return Barrier**" will be a percentage as set forth in the relevant terms sheet, if applicable.

The relevant term sheet will specify whether continuous or daily monitoring is applicable to the CDs or, alternatively, may specify another method for monitoring an Index. For example, the relevant term sheet may specify weekly, monthly or Index monitoring on specified day(s) during a week or month for purposes of determining whether the Level (for CDs with continuous monitoring) or the Closing Level (for CDs with daily monitoring) of an Index on any Trading Day during the Observation Period is greater than the applicable Upper Index Barrier or less than the applicable Lower Index Barrier. We refer to each such specified day as a "**Observation Day**."

The "**Observation Period**" or "**Observation Day(s)**" will be specified in the relevant term sheet. For example, the relevant term sheet may specify that the Observation Period consists of each Trading Day from the Trade Date to and including the final Valuation Date. Alternatively, the relevant term sheet may specify that the Observation Days consist of the last calendar day of each month, commencing on a specified date and ending on the final Valuation Date.

The "**Participation Rate**," if applicable, will be a percentage, which may be more or less than 100%, as specified in the relevant term sheet.

The "**Minimum Return**" or the "**Maximum Return**," if applicable, will be a fixed dollar amount per $1,000 principal amount CD and will be specified in the relevant term sheet.

The relevant term sheet may specify a Level of the applicable Index other than the Index Starting Level, which we refer to as the "**Strike Level**," to be used for calculating the Upper Index Barrier, Lower Index Barrier, Absolute Index Return (if applicable) and the Variable Return payable at maturity, if any. The Strike Level may be based on and/or expressed as a percentage of the Closing Level of the applicable Index as of a specified date, or may be determined without regard to the Closing Level of such Index as of a particular date.

The "**Level**" of an Index on any Trading Day will equal the level of the Index at any time on such Trading Day (including at the open and close of trading for such Index) and the "**Closing Level**" of an Index on any Trading Day will equal the official closing level of such Index or any Successor Index thereto (as described below) published following the regular official weekday close of trading for such Index on that Trading Day. In certain circumstances, the "Closing Level" for an Index will be based on the alternate calculation for the relevant Index as described under "The Indices."

A "**Trading Day**" is, unless otherwise specified in the relevant term sheet, a day, as determined by the calculation agent, on which trading is generally conducted on (i) the Relevant Exchanges (as defined below) for securities underlying such Index or the relevant Successor Index and (ii) the exchanges on which futures or options contracts related to such Index or the relevant Successor Index are traded, other than a day on which trading on such Relevant Exchange or exchange on which such futures or options contracts are traded is scheduled to close prior to its regular weekday closing time

The "**Valuation Date(s)**" will either be a single date, which we refer to as the "**Final Valuation Date**," or several dates, each of which we refer to as an "**Ending Averaging Date**," will be specified in the relevant term sheet, and are subject to postponement in the event of a market disruption event as described below.

CDs with a maturity of more than one year

If a Valuation Date is not a Trading Day or if there is a market disruption event on such day, the applicable Valuation Date will be postponed to the immediately succeeding Trading Day during which no market disruption event shall have occurred or be continuing. In no event, however, will any Valuation Date be postponed more than ten Business Days following the date originally scheduled to be such Valuation Date. If the tenth Business Day following the date originally scheduled to be the applicable Valuation Date is not a Trading Day, or if there is a market disruption event on such day, the calculation agent will determine the Closing Level for the applicable Index for such Valuation Date on such date in accordance with the formula for and method of calculating the Closing Level for such Index last in effect prior to commencement of the market disruption event (or prior to the non-Trading Day), using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, the calculation agent's good faith estimate of the closing price that would have prevailed but for such suspension or limitation or non-Trading Day) on such tenth scheduled Business Day of each security most recently constituting such Index.

CDs with a maturity of not more than one year

If a Valuation Date is not a Trading Day or if there is a market disruption event on such day, the applicable Valuation Date will be postponed to the immediately succeeding Trading Day during which no market disruption event shall have occurred or be continuing. In no event, however, will any Valuation Date be postponed more than ten Business Days following the date originally scheduled to be such Valuation Date; provided that no Valuation Date, as postponed, will produce a maturity date more than one year (counting for this purpose either the issue date or the maturity date but not both) after the issue date (the last date that could serve as the final Valuation Date without causing the maturity date to be more than one year after the issue date, the "Final Disrupted Valuation Date"). If the tenth Business Day following the date originally scheduled to be the applicable Valuation Date is not a Trading Day, or if there is a market disruption event on such day, the calculation agent will determine the Closing Level for the applicable Index for such Valuation Date in accordance with the formula for and method of calculating the Closing Level for such Index last in effect prior to commencement of the market disruption event (or prior to the non-Trading Day), using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, the calculation agent's good faith estimate of the closing price that would have prevailed but for such suspension or limitation or non-Trading Day) on such tenth scheduled Business Day of each security most recently constituting the Index.

Notwithstanding the foregoing, if any Valuation Date has been postponed to the Final Disrupted Valuation Date (treating any such Valuation Date that is not the final Valuation Date as if it were the final Valuation Date), and such Final Disrupted Valuation Date is not a Trading Day, or if there is a market disruption event on such Final Disrupted Valuation Date, the calculation agent will determine the Closing Level for such Index last in effect prior to commencement of the market disruption event (or prior to the non-Trading Day), using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, the calculation agent's good faith estimate of the closing price that would have prevailed but for such suspension or limitation or non-Trading Day) on the Business Day immediately preceding such Final Disrupted Valuation Date of each security most recently constituting the Index. **For the avoidance of doubt, in no event shall any Valuation Date occur on or after the Final Disrupted Valuation Date.**

The "**Maturity Date**" will be specified in the relevant term sheet. If the scheduled Maturity Date (as specified in the relevant term sheet) is not a Business Day, then the Maturity Date will be the next succeeding Business Day following such scheduled Maturity Date. If, due to a market disruption event or otherwise, the final Valuation Date is postponed so that it falls less than three Business Days prior to the scheduled Maturity Date, the Maturity Date will be the third Business Day following the final Valuation Date, as postponed, unless otherwise specified in the relevant term sheet, provided that in the case of CDs identified as "short-term debt instruments" for U.S. federal income tax purposes, the Maturity Date (as postponed) shall in no event be more than one year after the issue date (counting the issue date, but not the Maturity Date). We describe market disruption events under "General Terms of the CD—Market Disruption Events."

A "**Business Day**" is, unless otherwise specified in the relevant term sheet any day other than a day on which national banking associations in The City of New York are authorized or required by law, regulation or executive order to close or a day on which transactions in dollars are not conducted.

RISK FACTORS

The CDs differ from conventional bank deposits.

The terms of the CDs differ from those of conventional bank deposits in that we will not pay regular interest, and the return on your investment in the CDs may be less than the amount that would be paid on an ordinary bank deposit. The return at maturity of only the principal amount plus the Variable Return or Minimum Return, if any, of each CD may not compensate you for any loss in value due to inflation and other factors relating to the value of money over time.

The CDs may not pay more than the applicable principal amount at maturity.

If the Level (for CDs with continuous monitoring) or the Closing Level (for CDs with daily monitoring) of the applicable Index or Indices on any Trading Day during the Observation Period is greater than the applicable Upper Index Barrier or less than the applicable Lower Index Barrier, you will receive only the principal amount of the CD at maturity, unless otherwise specified in the relevant term sheet. This will be true even if the Level (for CDs with continuous monitoring) or the Closing Level (for CDs with daily monitoring) of each applicable Index was less than the applicable Upper Index Barrier or greater than the applicable Lower Index Barrier at maturity but greater than the applicable Upper Index Barrier or less than the applicable Lower Index Barrier on any Trading Day during the Observation Period. Because the CDs may not pay any return if the Level (for CDs with continuous monitoring) or the Closing Level (for CDs with daily monitoring) of the applicable Index or Indices on any Trading Day during the Observation Period is greater than the applicable Upper Index Barrier and less than the applicable Lower Index Barrier, the return on your investment in the CDs may be less than the amount that would be paid on a conventional CD of comparable maturity. This return may not fully compensate you for any loss in value due to inflation and other factors relating to the value of money over time.

You cannot predict future performance of an Index based on its historical performance. The level of an Index may increase or decrease to a level greater than the applicable Upper Index Barrier or less than the applicable Lower Index Barrier of such Index even though such Index has not experienced such an increase or decrease in the past.

The appreciation potential of the CDs is limited by the Upper Index Barriers and Lower Index Barriers.

If the Level (for CDs with continuous monitoring) or the Closing Level (for CDs with daily monitoring) of an Index on any Trading Day during the Observation Period is greater than the applicable Upper Index Barrier or less than the applicable Lower Index Barrier, your payment at maturity will be limited to the principal amount of the CDs (plus the Minimum Return, if applicable) and will not be determined by reference to the Absolute Index Return or the Fixed Payment, as applicable. This return may not compensate you for any loss in value due to inflation and other factors relating to the value of money over time. Therefore, under these circumstances, your return may be less than the return you would have otherwise received if you had invested directly in such Index or Indices, the equity securities underlying such Index or Indices, or contracts relating to such Index or Indices for which there is an active secondary market. In addition, if the Index Ending Level is greater than or less than the Index Starting Level (or Strike Level, if applicable) and the Level (for CDs with continuous monitoring) or the Closing Level (for CDs with daily monitoring) of an Index on any Trading Day during the Observation Period is greater than the applicable Upper Index Barrier or less than the applicable Lower Index Barrier, your return would be less than the return you would have received if the CDs did not have such Upper Index Barriers and Lower Index Barriers.

You will receive no more than the principal amount (plus the Minimum Return, if applicable) of your CDs if an Index to which your CDs are linked closes or trades above the applicable Upper Index Barrier or below the applicable Lower Index Barrier at any applicable time during the Observation Period.

If the Level (for CDs with continuous monitoring) or the Closing Level (for CDs with daily monitoring) of the applicable Index or Indices to which your CDs are linked is greater than the applicable Upper Index Barrier or less than the applicable Lower Index Barrier at any applicable time during the Observation Period, you will receive only the principal amount of the CDs (plus the Minimum Return, if applicable) at maturity.

The appreciation potential of the CDs will be limited by the Maximum Return, if applicable.

If the Variable Return is to be determined based on the Absolute Index Return and the Participation Rate, and if the CDs have a Maximum Return, the appreciation potential of the CDs will be limited to the fixed dollar amount per $1,000 CD specified in the relevant term sheet as the Maximum Return. Under these circumstances, the Variable Return will not exceed the Maximum Return, even if the Level (for CDs with continuous monitoring) or the Closing Level (for CDs with daily monitoring) of the applicable Index or Indices on each Trading Day during the Observation Period is less than or equal to the applicable Upper Index Barrier and greater than or equal to the applicable Lower Index Barrier. Accordingly, the appreciation potential of the CDs will be limited to the Maximum Return even if the Variable Return calculated with reference to the Absolute Index Return and the Participation Rate would otherwise be greater than the Maximum Return.

The appreciation potential of the CDs will be limited by the Fixed Payment, if applicable.

If the CDs have a Fixed Payment, the appreciation potential of the CDs is limited to the appreciation represented by such Fixed Payment, even if the appreciation or depreciation in the applicable Index would, but for the Fixed Payment, result in the payment of a greater Variable Return at maturity. If the Level (for CDs with continuous monitoring) or the Closing Level (for CDs with daily monitoring) of the applicable Index on each Trading Day during the Observation Period is less than or equal to the applicable Upper Index Barrier and greater than or equal to the applicable Lower Index Barrier, the return on the CDs will equal the Fixed Payment and will not be determined by reference to the Absolute Index Return. This return will be limited regardless of the appreciation or depreciation in the applicable Index, which may be significant. Therefore, under certain circumstances, your return may be less than the return you would have otherwise received if you had invested directly in the applicable Index, the equity securities underlying the applicable Index or contracts relating to the applicable Index for which there is an active secondary market.

The Index Ending Level may be less than or greater than the applicable Index level at other times during the term of the CDs.

Because the Index Ending Level is calculated based on the Closing Level of the applicable Index on one or more Valuation Dates during the term of the CDs, the level of the applicable Index, if calculated at various other times during the term of the CDs, including other dates near the Valuation Date(s), could be higher or lower than the Index Ending Level. This difference could be particularly large if there is a significant increase or decrease in the level of the applicable Index before and/or after the Valuation Date(s) or if there is a significant increase or decrease in the level of the applicable Index around the time of the Valuation Date(s) or if there is significant volatility in the level of the applicable Index during the term of the CDs (especially on dates near the Valuation Date(s)). For example, when the Valuation Date(s) for the CDs is near the end of the term of the CDs, if the level of the applicable Index increases or decreases significantly during the initial term of the CDs (but not to levels above the applicable Upper Index Barrier or below the applicable Lower Index Barrier) and then return to levels at or near the Index Starting Level (or Strike Level, if applicable) at the Valuation Date(s), the Index Ending Level may be significantly greater than or less than if it were calculated on a date earlier than the Valuation Date. Under these circumstances, you may receive a lower payment at maturity than you would have received if you had invested in the applicable Index, the equity securities underlying such Index or contracts relating to such Index for which there is an active secondary market. Even if the level of the applicable Index increases or decreases significantly during the term of the CDs but not to a level above the applicable Upper Index Barrier or below the applicable Lower Index Barrier, the market value of the CDs may not correspondingly increase, and may decline.

For CDs without a Fixed Payment, if the Participation Rate is less than 100%, the Variable Return will be limited by the Participation Rate.

For CDs without a Fixed Payment, if the Participation Rate is less than 100% and the Level (for CDs with continuous monitoring) or the Closing Level (for CDs with daily monitoring) of the applicable Index on each Trading Day during the Observation Period is less than or equal to the applicable Upper Index Barrier and greater than or equal to the applicable Lower Index Barrier, the Variable Return you receive at maturity will equal only a percentage, as specified in the relevant term sheet, of the Absolute Index Return. Under these circumstances, the Variable Return you receive at maturity will not fully reflect the performance of the applicable Index.

If your CDs are linked to a volatile Index or Indices, there is a great likelihood that you will receive no Variable Return at the Maturity Date.

The likelihood that the Level (for CDs with continuous monitoring) or Closing Level (for CDs with daily monitoring) of an Index will be greater than the applicable Upper Index Barrier or less than the applicable Lower Index Barrier at any applicable time during the Observation Period, resulting in no Variable Return at the Maturity Date, will depend in large part on the volatility of such Index—the frequency and magnitude of changes in the level of such Index. One or more of the Indices to which your CDs may be linked may have experienced significant volatility since inception. The more volatile the Index, the more likely it is that you will receive no Variable Return at the Maturity Date.

Indices comprised of small-cap stocks may be more volatile than indices comprised of large-cap stocks.

If your CDs are linked to an Index which consists of equity securities issued by companies with relatively small market capitalization ("**small-cap companies**"), such as the Russell 2000® Index, there may be a greater likelihood that the Level (for CDs with continuous monitoring) or the Closing Level (for CDs with daily monitoring) of such Index on any Trading Day during the Observation Period will be greater than the applicable Upper Index Barrier or less than the applicable Lower Index Barrier than if your CDs were linked to an Index or Indices comprised solely of equity securities issued by companies with relatively large market capitalizations ("**large-cap companies**"). The stock prices of small-cap companies may be more volatile than the stock prices of large-cap companies. Small-cap companies may be less able to withstand adverse economic, market, trade and competitive conditions relative to large-cap companies. Small-cap companies tend to be less well-established than large-cap companies. Small-cap companies are less likely to pay dividends on their stocks, and the presence of a dividend payment could be a factor that limits downward stock price pressure under adverse market conditions.

If your CDs are linked to more than one Index, there is a greater risk that you will receive no Variable Return at the Maturity Date.

You will receive the Variable Return only if none of the Indices to which your CD is linked appreciates to a level greater than the applicable Upper Index Barrier or depreciates to a level less than the applicable Lower Index Barrier at any applicable time during the Observation Period. Unlike an instrument with a return linked to a basket of common stocks or other underlying assets, in which risk is mitigated and diversified among all of the components of the basket, your risk will increase the more Indices that your CD is linked to. Strong or weak performance by any one Index over the term of the CDs may negatively affect your likelihood of receiving the Variable Return on a CD linked to more than one Index and will not be offset or mitigated by the performance of any other Index. Your return on the CDs should not be expected to match the performance of a direct investment in one or more of the Indices or the equity securities underlying such Index or Indices.

Your return on the CDs will not reflect dividends on the equity securities of the companies in the Indices.

Your return on the CDs will not reflect the return you would realize if you actually owned the equity securities of the companies included in any of the Indices and received the dividends paid on those stocks. This is because the calculation agent will calculate the amount payable to you at maturity of the CDs by reference to the Index Ending Level (for CDs without a Fixed Payment) or the Fixed Payment (for CDs with a Fixed Payment) if the Level (for CDs with continuous monitoring) or the Closing Level (for CDs with daily monitoring) of the applicable Index or Indices on each Trading Day during the Observation Period is less than or equal to the applicable Upper Index Barrier and greater than or equal to the applicable Lower Index Barrier. The Index Ending Level reflects the prices of the equity securities as calculated in such Index without taking into account the value of the dividends paid on those equity securities. If the Level (for CDs with continuous monitoring) or the Closing Level (for CDs with daily monitoring) of an Index on any Trading Day during the Observation Period is greater than the applicable Upper Index Barrier or less than the applicable Lower Index Barrier, your payment at maturity will be equal to the principal amount of your CDs, plus the Minimum Return, if applicable, without reference to the Index Ending Level or the Fixed Payment, as applicable.

The CDs are designed to be held to maturity.

The CDs are not designed to be short-term trading instruments. The price at which you will be able to sell your CDs prior to maturity may be at a substantial discount from the principal amount of the CDs, even in cases where the applicable Index has not appreciated above the applicable Upper Index Barrier or depreciated below the applicable Lower Index Barrier since the date of the issuance of the CDs. The potential returns described in this disclosure statement assume that your CDs are held to maturity.

Owning the CDs is not the same as owning an Index or equity securities underlying such Index.

The return on your CDs will not reflect the return you would realize if you actually purchased an Index or the equity securities underlying such Index. You will not have any rights that holders of such instruments have.

Secondary trading may be limited.

Unless otherwise specified in the relevant term sheet, the CDs will not be listed on an organized securities exchange. There may be little or no secondary market for the CDs. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the CDs easily.

J.P. Morgan Securities Inc. may act as a market maker for the CDs, but is not required to do so. Because we do not expect that other market makers will participate significantly in the secondary market for the CDs, the price at which you may be able to trade your CDs is likely to depend on the price, if any, at which J.P. Morgan Securities Inc. is willing to buy the CDs. If at any time J.P. Morgan Securities Inc. is not acting as a market maker, it is likely that there would be little or no secondary market for the CDs.

Prior to maturity, the value of the CDs will be influenced by many unpredictable factors.

Many economic and market factors will influence the value of the CDs. We expect that, generally, the level of each Index to which the CDs are linked on any day will affect the value of the CDs more than any other single factor. However, you should not expect the value of the CDs in the secondary market to vary in proportion to changes in the level of each Index. The value of the CDs will be affected by a number of other factors that may either offset each other, including:

- whether the Level (for CDs with continuous monitoring) or the Closing Level (for CDs with daily monitoring) of any Index is above the Upper Index Barrier or below the Lower Index Barrier for such Index during the Observation Period;
- the expected volatility in each Index;

- the time to maturity of the CDs;
- the dividend rate on the equity securities underlying each Index;
- interest and yield rates in the market generally as well as in the markets of the equity securities composing each Index;
- economic, financial, political, regulatory or judicial events that affect the equity securities included in each Index or stock markets generally and which may affect the Level (for CDs with continuous monitoring) or the Closing Level (for CDs with daily monitoring) of each Index, as applicable, on any Trading Day;
- the exchange rate and the volatility of the exchange rate between the U.S. dollar and the various currencies relevant to the Nikkei 225 Index and the Dow Jones EURO STOXX 50® Index; and
- our creditworthiness, including actual or anticipated downgrades in our credit ratings.

You cannot predict the future performance of an Index, as applicable, based on its historical performance. The Level (for CDs with continuous monitoring) or the Closing Level (for CDs with daily monitoring) of the applicable Index or Indices on any Trading Day during the Observation Period may be greater than the applicable Upper Index Barrier or less than the applicable Lower Index Barrier, or, for CDs without a Variable Return, the Index Ending Level may be flat as compared to the Index Starting Level (or the Strike Level, if applicable) in which event you will receive only $1,000 per $1,000 CD at maturity, unless the relevant term sheet provides for a Minimum Return.

The securities underlying the PHLX Housing Sector℠ Index are concentrated in one industry.

All of the securities underlying the PHLX Housing Sector℠ Index are issued by companies whose primary lines of business are directly associated with the domestic housing construction industry. An investment in CDs linked to the performance of the PHLX Housing Sector℠ Index will be concentrated in this industry. As a result, the value of such CDs may be subject to greater volatility and be more adversely affected by a single economic, political or regulatory occurrence affecting this industry than a different investment linked to securities of a more broadly diversified group of issuers.

The housing construction industry is significantly affected by factors in general and local economic conditions and real estate markets as well as by weather conditions, natural disasters and geopolitical events, any of which could affect the ability of the companies whose stocks are included in the PHLX Housing Sector℠ Index to conduct their businesses profitably.

The housing construction industry is cyclical and has from time to time experienced significant difficulties. The prices of the equity securities included in the PHLX Housing Sector℠ Index and, in turn, the level of the PHLX Housing Sector℠ Index will be affected by a number of factors that may either offset or magnify each other, including:

- employment levels and job growth;
- the availability of financing for home buyers;
- interest rates;
- consumer confidence;
- housing demand;
- the availability of suitable undeveloped land;
- raw material and labor shortages and price fluctuations;
- federal, state and local laws and regulations concerning the development of land, housing construction, home sales, consumer financing and environmental protection;
- competition among companies which engage in the housing construction business; and
- the supply of homes and other housing alternatives.

In addition, weather conditions and natural disasters such as hurricanes, tornadoes, earthquakes, floods and fires can harm the housing construction business. Geopolitical events, such as the aftermath of the war with Iraq and the terrorist attacks on September 11, 2001, and related market disruptions could also have a significant impact on the housing construction business.

The factors described above could cause a change in the housing construction industry generally or regionally and could cause the value of the stocks included in the PHLX Housing Sector℠ Index and the level of the PHLX Housing Sector℠ Index to increase or remain flat during the term of the CDs.

There is no direct correlation between the value of the CDs or the level of the PHLX Housing Sector℠ Index and residential housing prices.

There is no direct linkage between the level of the PHLX Housing Sector℠ Index and residential housing prices in specific regions or residential housing prices in general. While residential housing prices may be one factor that could affect the prices of the equity securities composing the PHLX Housing Sector℠ Index and consequently the closing level of the PHLX Housing Sector℠ Index, the PHLX Housing Sector℠ Index and the CDs are not directly linked to movements of residential housing prices and may be affected by factors unrelated to such movements.

The amount payable on the CDs at maturity will not be adjusted for changes in exchange rates that affect the Nikkei 225 Index and the Dow Jones EURO STOXX 50® Index

Although the stocks composing the Nikkei 225 Index and the Dow Jones EURO STOXX 50® Index are traded in currencies other than U.S. dollars, and the CDs, which may be linked to these Indices, are denominated in U.S. dollars, the amount payable on the CDs at maturity will not be adjusted for changes in the exchange rate between the U.S. dollar and each of the currencies in which the equity securities composing the Nikkei 225 Index and the Dow Jones EURO STOXX 50® Index are denominated. Changes in exchange rates, however, may reflect changes in various non-U.S. economies that in turn may affect the return on your CDs. The amount we pay in respect of the CDs on the maturity date, if any, will be determined solely in accordance with the procedures described in "Description of CDs — Payment at Maturity".

If the market value of an Index changes, the market value of your CDs may not change in the same manner.

Owning the CDs is not the same as owning the equity securities underlying the Index to which your CDs are linked. Accordingly, changes in the market value of each such Index may not result in a comparable change in the market value of the CDs. If the Level (for CDs with continuous monitoring) or the Closing Level (for CDs with daily monitoring) of any Index on any Trading Day increases or decreases above or below its Index Starting Level (or the Strike Level, if applicable), the value of the CDs may drop because the likelihood that the Level (for CDs with continuous monitoring) or the Closing Level (for CDs with daily monitoring) of such Index will be greater than the applicable Upper Index Barrier or less than the applicable Lower Index Barrier has increased. If during the Observation Period the Level (for CDs with continuous monitoring) or the Closing Level (for CDs with daily monitoring) of any Index increases to a level greater than the applicable Upper Index Barrier or decreases to a level less than the applicable Lower Index Barrier, we expect that the market value of the CDs will decline to reflect the fact that your return may not exceed $1,000 per $1,000.

The inclusion in the original issue price of the agent's commission, commissions of affiliates of the agent and the estimated cost of hedging our obligations under the CDs through one or more of our affiliates is likely to adversely affect the value of the CDs prior to maturity.

While the payment at maturity will be based on the full principal amount of your CDs as described in the relevant term sheet, the original issue price of the CDs includes the agent's commission, commissions of affiliates of the agent and the estimated cost of hedging our obligations under the CDs through one or more of our affiliates. Such estimated cost includes our affiliates' expected cost of providing such hedge, as well as the profit our affiliates expect to realize in consideration for assuming the risks inherent in providing such hedge. As a result, assuming no change in market conditions or any other relevant factors, the price, if any, at which J.P Morgan Securities Inc. will be willing to purchase the CDs from you in secondary market transactions, if at all, will likely be lower than the original issue price. In addition, any such prices may differ from values determined by pricing models used by J.P. Morgan Securities Inc., as a result of such compensation or other transaction costs.

The sponsor of any Index may adjust such Index in a way that affects its level, and the Index sponsor has no obligation to consider your interests.

The sponsors of each Index are responsible for calculating and maintaining their respective Indices. Any Index sponsor may add, delete or substitute the stocks underlying its Index or make other methodological changes that could change the level of such Index. You should realize that the changing of companies included in any Index may affect its level because a newly added company may perform significantly better or worse than the company or companies it replaces. Additionally, any of the Index sponsors may alter, discontinue or suspend calculation or dissemination of its respective Index. Any of these actions could adversely affect the value of the CDs. The Index sponsors have no obligation to consider your interests in calculating or revising their respective Indices.

Our parent, JPMorgan Chase & Co. is currently one of the companies the equity securities of which are included in the S&P 500® Index and the Dow Jones Industrial Average℠, but, to our knowledge, we are not currently affiliated with any other company included in the S&P 500® Index, the Dow Jones Industrial Average℠ or any of the other Indices, unless otherwise specified in the relevant term sheet.

Our parent, JPMorgan Chase & Co. ("JPMC") is currently one of the companies that make up the S&P 500® Index and the Dow Jones Industrial Average℠. Unless otherwise specified in the relevant term sheet, we are not affiliated with any of the other companies the equity securities of which are included in any of the Indices to which the CDs may be linked. As a result, we will have no ability to control the actions of such companies, including actions that could affect the value of the stocks underlying any Index or your CDs. None of the money you pay us will go to the sponsor of any of the Indices to which you CDs are linked and none of the Index sponsors will be involved in the offering of the CDs in any way. Neither the Index sponsors nor we will have any obligation to consider your interests as a holder of the CDs in taking any corporate actions that might affect the value of your CDs.

You will have no shareholder rights in issuers of equity securities that compose the Index.

As a holder of the CDs, you will not have voting rights or rights to receive dividends or other distributions or other rights that holders of the equity securities composing the Index would have.

We or our affiliates may have adverse economic interests to the holders of the CDs.

J.P. Morgan Securities Inc. and other affiliates of ours trade the equity securities underlying the Indices and other financial instruments related to the Indices and the equity securities underlying the Indices on a regular basis, for their own accounts and for the accounts under their management. J.P. Morgan Securities Inc. and these affiliates may also issue or underwrite or assist unaffiliated entities in the issuance or underwriting of other securities or financial instruments linked to the Indices. To the extent that we or one of our affiliates serves as issuer, agent or underwriter for such securities or financial instruments, our or their interests with respect to such products may be adverse to those of the holders of the CDs. Any of these trading activities could potentially affect the levels of the Indices and, accordingly, could affect the value of the CDs and any Variable Return payable to you at maturity.

We or our affiliates may currently or from time to time engage in business with companies equity securities of which are included in one or more of the Indices to which your CDs are linked, including extending loans to, or making equity investments in, or providing advisory services to them, including merger and acquisition advisory services. In the course of this business, we or our affiliates may acquire non-public information about the companies, and we will not disclose any such information to you. In addition, one or more of our affiliates may publish research reports or otherwise express views about the companies the equity securities of which are included in the Indices. Any prospective purchaser of CDs should undertake an independent investigation of each company equity securities of which are included in the Indices as in its judgment is appropriate to make an informed decision with respect to an investment in the CDs.

Additionally, we or one of our affiliates may serve as issuer, agent or underwriter for additional issuances of CDs with returns linked or related to changes in the level of the Indices or the equity securities that compose such Indices. By introducing competing products into the marketplace in this manner, we or one or more of our affiliates could adversely affect the value of the CDs.

We may have hedged our obligations under the CDs through certain affiliates, who would expect to make a profit on such hedge. Because hedging our obligations entails risk and may be influenced by market forces beyond our or our affiliates' control, such hedging may result in a profit that is more or less than expected, or it may result in a loss.

J.P. Morgan Securities Inc., one of our affiliates, will act as the calculation agent. The calculation agent will determine, among other things, the Index Starting Levels (or Strike Levels, if applicable), the Closing Levels of each Index on each Valuation Date, the Variable Return, if any, that we will pay you at maturity, the Absolute Index Return, if applicable, the Level (for CDs with continuous monitoring) or the Closing Level (for CDs with daily monitoring) of the applicable Index or Indices on each Trading Day during the Observation Period, whether the Level (for CDs with continuous monitoring) or the Closing Level (for CDs with daily monitoring) of the applicable Index or Indices on any Trading Day during the Observation Period is greater than the applicable Upper Index Barrier or less than the applicable Lower Index Barrier, and whether the Index Ending Level is greater than, less than, or equal to the Index Starting Level (or Strike Level, if applicable). The calculation agent will also be responsible for determining whether a market disruption event has occurred, whether an Index has been discontinued, and whether there has been a material change in the method of calculation of an Index. In performing these duties, J.P. Morgan Securities Inc. may have interests adverse to the interests of the holders of the CDs, which may affect your return on the CDs, particularly where J.P. Morgan Securities Inc., as the calculation agent, is entitled to exercise discretion.

Market disruptions may adversely affect your return.

The calculation agent may, in its sole discretion, determine that the markets have been affected in a manner that prevents it from properly valuing the Closing Level of an Index on any Valuation Date or on any Trading Day during the Observation Period, determining the Level of any Index at any time or calculating the Absolute Index Return (if applicable) and calculating the payment at maturity that we are required to pay you. These events may include disruptions or suspensions of trading in the markets as a whole. If the calculation agent, in its sole discretion, determines that any of these events prevents us or any of our affiliates from properly hedging our obligations under the CDs, it is possible that one or more of the Valuation Dates and the Maturity Date will be postponed and your return will be adversely affected. See "General Terms of CDs—Market Disruption Events."

Historical performance of an Index should not be taken as an indication of the future performance of such Index during the term of the CDs.

The actual performance of an Index over the term of the CDs, as well as the amount payable at maturity, may bear little relation to the historical performance of such Index. As a result, it is impossible to predict whether the level of an Index will rise or fall.

We and our affiliates have no affiliation with the Index sponsors and are not responsible for their public disclosure of information, unless otherwise stated in the relevant term sheet.

Unless otherwise stated in the relevant term sheet, we and our affiliates are not affiliated with the sponsors of any Index to which your CDs are linked and have no ability to control the Index sponsors, including any errors in or discontinuation of disclosure regarding its methods or policies relating to the calculation of the Indices. The Index sponsors are under no obligation to continue to calculate any such Indices and are not required to calculate any successor index. If an Index sponsor discontinues or suspends the calculation of its Index, it may become difficult to determine the market value of the CDs or the amount payable at maturity. The calculation agent may designate a successor index selected in its sole discretion. If the calculation agent determines in its sole discretion that no successor index comparable to such Index exists, the amount you receive at maturity will be determined by the calculation agent in its sole discretion. See "Description of the CDs – Market Disruption Event."

Generally, if the term of the CDs is not more than one year, the CDs will be treated as short-term debt instruments for U.S. federal income tax purposes.

Generally, if the term of the CDs is not more than one year (including either the issue date or the last possible date that the CDs could be outstanding, but not both), the CDs will be treated as "short-term" debt instruments for U.S. federal income tax purposes. No statutory, judicial or administrative authority directly addresses the treatment of CDs or instruments similar to the CDs for U.S. federal income tax purposes, and no ruling is being requested from the Internal Revenue Service (the "IRS") with respect to the CDs. As a result, certain aspects of the tax treatment of an investment in the CDs are uncertain. You should review carefully the section entitled "Certain U.S. Federal Income Tax Consequences" in this disclosure statement and consult your tax adviser regarding your particular circumstances.

Generally, if the term of the CDs is more than one year, you and we will agree to treat the CDs as contingent payment debt instruments for U.S. federal income tax purposes.

Generally, if the term of the CDs is more than one year (including either the issue date or the last possible date the CDs could be outstanding, but not both), you and we will agree to treat the CDs as "contingent payment debt instruments" for U.S. federal income tax purposes. Assuming this treatment is respected and assuming that neither the Level (for CDs with continuous monitoring) nor the Closing Level (for CDs with daily monitoring), as the case may be, of the Index or Indices to which your CDs are linked on any Trading Day during the Observation Period is greater than the applicable Upper Index Barrier or less than the applicable Lower Index Barrier, 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 tax basis in the CDs and the projected amount of stated interest, if any, will reduce your tax basis in the CDs. Generally, amounts received at maturity or on earlier sale or disposition in excess of your basis will be treated as additional interest income while any loss will generally be treated as an ordinary loss to the extent of all previous inclusions with respect to the CDs, which will be deductible against other income (*e.g.*, employment and interest income) with the balance treated as capital loss, the deductability of which may be subject to limitations. Losses may be subject to special reporting requirements. Special rules may apply in the event that either the Level (for CDs with continuous monitoring) or the Closing Level (for CDs with daily monitoring), as the case may be, of the Index or Indices to which your CDs are linked on any Trading Day during the Observation Period is greater than the applicable Upper Index Barrier or less than the applicable Lower Index Barrier. You should review carefully the section entitled "Certain U.S. Federal Income Tax Consequences" in this disclosure statement and consult your tax adviser regarding your particular circumstances.

An investment in the CDs may be subject to risks associated with non-U.S. securities markets.

The underlying equity securities that constitute the foreign equity indices such as the Nikkei 225 Index and the Dow Jones EURO STOXX 50® Index have been issued by non-U.S. companies. Investments in instruments linked to the value of such non-U.S. equity securities involve risks associated with the securities markets in those countries, including risks of volatility in those markets, governmental intervention in those markets and cross shareholdings in companies in certain countries. Also, there is generally less publicly available information about companies in some of these jurisdictions than about U.S. companies that are subject to the reporting requirements of the SEC, and generally non-U.S. companies are subject to accounting, auditing and financial reporting standards and requirements and securities trading rules different from those applicable to U.S. reporting companies.

The prices of securities in non-U.S. jurisdictions may be affected by political, economic, financial and social factors in such markets, including changes in a country's government, economic and fiscal policies, currency exchange laws or other foreign laws or restrictions. Moreover, the economies in such countries may differ favorably or unfavorably from economies in the United States in such respects as growth of gross national product, rate of inflation, capital reinvestment, resources and self sufficiency. Such countries may be subjected to different and, in some cases, more adverse economic environments.

You will have limited rights to withdraw your funds prior to the stated Maturity Date of the CDs.

By purchasing a CD, you will agree with the Bank to keep your funds on deposit for the term of the CD. Early withdrawals are permitted only in the event of the death or adjudication of incompetence of the beneficial owner of a CD. Therefore, you should not rely on this possibility for gaining access to your funds prior to the stated Maturity Date.

The FDIC's powers as receiver or conservator could adversely affect your return.

If the FDIC were appointed as conservator or receiver of the Bank, the FDIC would be authorized to disaffirm or repudiate any contract to which the Bank is a party, the performance of which was determined to be burdensome, and the disaffirmance or repudiation of which was determined to promote the orderly administration of the Bank's affairs. It is likely that for this purpose deposit obligations, such as the CDs, would be considered "contracts" within the meaning of the foregoing and that the CDs could be repudiated by the FDIC as conservator or receiver of the Bank. Such repudiation should result in a claim by a depositor against the conservator or receiver for the principal of the CDs. No claim would be available, however, for any secondary market premium paid by a depositor above the principal amount of a CD and no claims would likely be available for any Variable Return.

The FDIC as conservator or receiver may also transfer to another insured depository institution any of the insolvent institution's assets and liabilities, including liabilities such as the CDs, without the approval or consent of the beneficial owners of the CDs. The transferee depository institution would be permitted to offer beneficial owners of the CDs the choice of (i) repayment of the principal amount of the CDs or (ii) substitute terms which may be less favorable. If a CD is paid off prior to its stated Maturity Date, either by a transferee depository institution or the FDIC, its beneficial owner may not be able to reinvest the funds at the same rate of return as the rate on the original CD.

As with all deposits, if it becomes necessary for federal deposit insurance payments to be made on the CDs, there is no specific time period during which the FDIC must make insurance payments available. Accordingly, in such an event, you should be prepared for the possibility of an indeterminate delay in obtaining insurance payments.

Except to the extent insured by the FDIC as described in this disclosure statement, the CDs are not otherwise insured by any governmental agency or instrumentality or any other person.

The full principal amount of your CDs, any Minimum Return, and the Variable Return may not be protected by deposit insurance.

CDs are only insured by the FDIC within the limits and to the extent described in the disclosure statement under the section entitled "Deposit Insurance."

Because the Variable Return is calculated, in part, using the Level or Closing Level of an Index, as applicable, on each Valuation Date, the Variable Return will not accrue to a holder of a CD until the final Valuation Date. Accordingly, any potential Variable Return will not be eligible for federal deposit insurance prior to the final Valuation Date.

GENERAL TERMS OF THE CDS

Calculation Agent

J.P. Morgan Securities Inc. will act as the calculation agent. The calculation agent will determine, among other things, the Index Starting Levels, the Strike Levels, if applicable, the Index Ending Level, the Closing Levels of each Index on each Valuation Date, the Variable Return, if any, that we will pay you at maturity, the Absolute Index Return (if applicable), the Level (for CDs with continuous monitoring) or the Closing Level (for CDs with daily monitoring) of the applicable Index or Indices on each Trading Day during the Observation Period, and whether the Level (for CDs with continuous monitoring) or the Closing Level (for CDs with daily monitoring) of the applicable Index or Indices on any Trading Day during the Observation Period was greater than the applicable Upper Index Barrier or less than the applicable Lower Index Barrier. In addition, the calculation agent will determine whether a market disruption event has occurred or whether an Index has been discontinued and whether there has been a material change in the method of calculating an Index All determinations made by the calculation agent will be at the sole discretion of the calculation agent and will, in the absence of manifest error, be conclusive for all purposes and binding on you and on us. We may appoint a different calculation agent from time to time after the date of the relevant term sheet without your consent and without notifying you.

All calculations with respect to an Index Starting Level, the Strike Level, if applicable, the Index Ending Level, the Absolute Index Return (if applicable), any Level or any Closing Level of the applicable Index or Indices will be rounded to the nearest one hundred-thousandth, with five one-millionths rounded upward (*e.g.*, .876545 would be rounded to .87655); all dollar amounts related to determination of the Variable Return payable at maturity, if any, per $1,000 CD will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid on the aggregate number of CDs will be rounded to the nearest cent, with one-half cent rounded upward.

Market Disruption Events

Certain events may prevent the calculation agent from calculating the Level or Closing Level of an Index on any Valuation Date and consequently, the Absolute Index Return (if applicable) or the Level or Closing Level of an Index at any time during the Observation Period for purposes of determining whether the Level (for CDs with continuous monitoring) or the Closing Level (for CDs with daily monitoring) of such Index on any Trading Day during the Observation Period was greater than the applicable Upper Index Barrier or less than the applicable Lower Index Barrier, or calculating the Variable Return, if any, that we will pay you at maturity. These events may include disruptions or suspensions of trading on the markets as a whole. We refer to each of these events individually as a "market disruption event."

With respect to each Index (or any relevant successor index), a "**market disruption event**," unless otherwise specified in the relevant term sheet, means:

- a suspension, absence or material limitation of trading of equity securities then constituting 20% or more of the level of such Index (or the relevant successor index) on the relevant exchanges (as defined below) for such securities for more than two hours of trading during, or during the one hour period preceding the close of, the principal trading session on such relevant exchange; or

- a breakdown or failure in the price and trade reporting systems of any relevant exchange as a result of which the reported trading prices for equity securities then constituting 20% or more of the level of such Index (or the relevant successor index) during the one hour preceding the close of, the principal trading session on such relevant exchange are materially inaccurate; or

- a suspension, absence or material limitation of trading on the primary exchange or market for trading in futures or options contracts related to such Index (or the relevant successor index) for more than two hours of trading during, or during the one hour period preceding the close of, the principal trading session on such exchange or market; or

- a decision to permanently discontinue trading in the relevant futures or options contracts;

in each case as determined by the calculation agent in its sole discretion; and

- a determination by the calculation agent in its sole discretion that the event described above materially interfered with our ability or the ability of any of our affiliates to adjust or unwind all or a material portion of any hedge with respect to the CDs.

For the purpose of determining whether a market disruption event with respect to such Index (or the relevant successor index) exists at any time, if trading in a security included in such Index (or the relevant successor index) is materially suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of such Index (or the relevant successor index) will be based on a comparison of:

- the portion of the level of such Index (or the relevant successor index) attributable to that security relative to

- the overall level of such Index (or the relevant successor index),

in each case immediately before that suspension or limitation.

For purposes of determining whether a market disruption event with respect to such Index (or the relevant successor index) has occurred, unless otherwise specified in the relevant term sheet:

- a limitation on the hours or number of days of trading will not constitute a market disruption event if it results from an announced change in the regular business hours of the relevant exchange or the primary exchange or market for trading in futures or options contracts related to such Index (or the relevant successor index);

- limitations pursuant to the rules of any relevant exchange similar to NYSE Rule 80B (or any applicable rule or regulation enacted or promulgated by any other self-regulatory organization or any government agency of scope similar to NYSE Rule 80B as determined by the calculation agent) on trading during significant market fluctuations will constitute a suspension, absence or material limitation of trading;

- a suspension of trading in futures or options contracts on such Index (or the relevant successor index) by the primary exchange or market trading in such contracts by reason of

  - a price change exceeding limits set by such exchange or market,

  - an imbalance of orders relating to such contracts, or

  - a disparity in bid and ask quotes relating to such contracts

will, in each such case, constitute a suspension, absence or material limitation of trading in futures or options contracts related to such Index (or the relevant successor index); and

- a "suspension, absence or material limitation of trading" on any relevant exchange or on the primary exchange or market on which futures or options contracts related to such Index (or the relevant successor index) are traded will not include any time when such market is itself closed for trading under ordinary circumstances.

"**Relevant exchange**" means, with respect to each Index or any relevant successor index, the primary organized exchange or market of trading for any security (or any combination thereof) then included in such Index or the relevant successor index, as applicable.

Events of Default and Acceleration

The following will be "**Events of Default**" with respect to the CDs: (a) default in the payment of any principal or the Variable Return when due (in the case of a default in the payment of the Variable Return, if such default is not cured within 30 days) and (b) certain events of bankruptcy, insolvency, reorganization or the appointment of a conservator, receiver or liquidator of the Bank or substantially all of its property. Any holder of a CD, by written notice to the Bank, may declare all amounts of such CD due and payable immediately if an Event of Default has occurred and is continuing at the time of such declaration; provided, that seven calendar days have elapsed since the original issue date of the CD. If the CDs are to be repaid early, the amount payable to a beneficial owner of a CD upon any acceleration permitted by the CDs will be determined by the calculation agent, and with respect to each CD, will equal the sum of the principal amount and the Variable Return calculated as though the date of acceleration were the final Valuation Date of the CDs. Upon the declaration and notice, the amount payable described above will become immediately due and payable. Any Event of Default with respect to a CD may be waived by the holder of the CD.

You should be aware that despite any arrangement stated in this disclosure statement regarding any payment due on the CDs in the preceding paragraph occurs, the FDIC could set aside such arrangement. For example, if an interest payment is not determined until a particular determination date during the term of the CDs, if the FDIC were appointed conservator or receiver of the Bank, the FDIC could take the position that such interest was contingent at the time the FDIC was appointed, and therefore does not provide the basis for a valid claim against the FDIC. Furthermore, the FDIC may enforce contracts notwithstanding provisions for default based solely on insolvency or appointment of a receiver or conservator.

Governing Law

The CDs will be governed by and interpreted in accordance with the federal laws of the United States or America, and to the extent state law applies the laws of the State of New York.

Brokered CDs

The CDs may be offered and sold by JPMSI and other dealers in the primary market. A dealer offering the CDs to its customers is doing so pursuant to an arrangement between such dealer and JPMSI. Such dealer makes no representation or warranties about the accuracy of this disclosure and makes no guarantee in any way about the financial condition of the Bank.

Early Call at Our Option

If a CD is designated as a callable CD in the relevant term sheet (a "**Callable CD**"), the Callable CD generally will be callable at our option during the periods or on the specific dates specified in the relevant term sheet, on written notice given as provided in the relevant term sheet. Unless otherwise provided in the relevant term sheet, any such call will be effected in increments of $1,000 per Callable CD, at the call price or prices specified in the relevant term sheet (each, a "**Call Price**").

If any Callable CDs are called by us prior to the stated maturity date, you will be entitled to receive only the relevant Call Price and you will not receive any Variable Return. If we do not call a Callable CD prior to the Maturity Date, the principal amount plus the Variable Return, if any, that you receive on the Maturity Date may be less than any of the Call Prices.

In the event we were to fail between the time a call notice is given and the time you receive the Call Price, the amount of the Call Price in excess of the principal amount deposited would not be insured.

Additions and Withdrawals

When you purchase a CD, you agree with us to keep your funds on deposit for the term of the CD. Accordingly, unless otherwise specified in the relevant term sheet, no additions are permitted to be made to any CD, except in the event of the death of the beneficial owner of a CD or the adjudication of incompetence of any such beneficial owner by a court or other administrative body of competent jurisdiction. In such event, provided that prior written notice of such proposed withdrawal has been given to your broker and the Bank, together with appropriate documentation to support such request, the Bank will permit withdrawal of all CDs held by such beneficial owner (no partial withdrawals will be permitted). The amount payable by the Bank on any CDs upon such withdrawal will equal the principal amount of the withdrawn CDs.

If the relevant term sheet provides for an election for early redemptions or withdrawals for any other reason other than the death or adjudication of incompetence of a depositor, such term sheet will set forth the method for calculating the early redemption amount you will be entitled to receive. Upon early redemption or withdrawal of a CD, the amount you receive may be less, and possibly significantly less, than the principal amount of your CD.

In the event we were to fail between an early redemption date (as defined and specified in the relevant term sheet) and the time you receive the early redemption amount (as defined and specified in the relevant term sheet), the early redemption amount in excess of the principal amount of the CD, if any, may not be FDIC insured.

Hypothetical returns on your CDs

The relevant term sheet may include a table, chart or graph showing various hypothetical returns on your CD based on a range of hypothetical Trading or Closing Levels of an Index, as applicable, in each case assuming the CD is held from the Issue Date until the Maturity Date.

Any table, chart or graph showing hypothetical returns will be provided for purposes of illustration only. It should not be viewed as an indication or prediction of future investment results. Rather, it is intended merely to illustrate the impact that various hypothetical levels of an Index or Indices, as applicable on the Final Valuation Date could have on the hypothetical returns on your CD, if held to the Maturity Date, calculated in the manner described in the relevant term sheet and assuming all other variables remained constant. Any payments at maturity listed in the relevant term sheet will be entirely hypothetical. They will be based on Levels or Closing Levels of one or more Indices on any day during the term of the CD that may vary and on assumptions that may prove to be erroneous.

The return on your CD may bear little relation to, and may be much less than, the return you might achieve if you invested in an Index directly. Among other things, you will receive no return if any Index to which you CDs are linked appreciates or depreciates more than a specified amount. In addition, the return on an Index and an investment in an Index is likely to have tax consequences that are different from an investment in your CD.

We describe various risk factors that may affect the market value of your CD, and the unpredictable nature of that market value, under “Risk Factors” above.

EVIDENCE OF THE CDS

The CDs will be evidenced by one or more master certificates issued by us, each representing a number of individual CDs. These master certificates will be held by or on behalf of The Depository Trust Company (“**DTC**”), a sub-custodian which is in the business of performing such custodial services. No evidence of ownership, such as a passbook or a certificate, will be provided to you. Your broker, as custodian, keeps records of the ownership of each CD and will provide you with a written confirmation (the "**Confirmation**") of your purchase. If applicable, the term sheet will set forth the proposed stated Maturity Date, the Index or Indices, as applicable, how the Variable Return on your CD may be calculated and the terms of any withdrawal feature. The Confirmation will also state the original principal amount of your CD, from which you can determine how much premium, if any, you paid for the CD. You should retain the Confirmation and the account statement(s) for your records. Because you will not be provided with a certificate evidencing your CD, the purchase of a CD is not recommended for persons who wish to take physical possession of a certificate.

Payments on the CDs will be remitted by us to DTC when due. Upon payment in full of such amounts to DTC, we will be discharged from any further obligation with regard to such payments. Such payments will be credited through DTC's procedures to participant firms and thereafter will be remitted to your broker, so long as such broker acts as your nominee, authorized representative, agent or custodian, and credited to your account with such broker.

Each CD constitutes a direct obligation of us and is not, either directly or indirectly, an obligation of any broker. You will have the ability to enforce your rights in a CD directly against us. No deposit relationship will be deemed to exist prior to the receipt and acceptance of your funds by us.

If you choose to remove your broker as your agent with respect to your CD, you may (i) transfer your CD to another agent; *provided*, that the agent is a member of DTC (most major brokerage firms are members; many FDIC-insured depositories are not) or (ii) request that your ownership of the CD be evidenced directly on the books of JPMorgan Chase Bank, National Association, subject to applicable law and our terms and conditions, including those related to the manner of evidencing CD ownership.

WHERE YOU CAN FIND OUT MORE ABOUT US

This disclosure statement incorporates by reference the following documents, which have been filed previously (or may be filed in the future) with the Securities and Exchange Commission (the "**SEC**"), into this disclosure statement and we encourage you to review them. SEC filings are available to the public over the Internet at the SEC's website at http://www.sec.gov. You may also read and copy any document filed with the SEC at the SEC's public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. Please call the SEC at 1 800 SEC 0330 for further information on the public reference rooms.

Because we are incorporating by reference future filings with the SEC, this disclosure statement is continually updated and those future filings may modify or supersede some of the information included or incorporated in this disclosure statement. This disclosure statement incorporates by reference the documents below and any future filings made by JPMorgan Chase & Co. ("**JPMorgan Chase**"), which is the parent company of the Bank, with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 (the "**Exchange Act**") until we complete our offering of the CDs or, if later, the date on which any of our affiliates cease offering and selling the CDs:

- The annual report of JPMorgan Chase on Form 10-K for the year ended December 31, 2007 (filed on February 29, 2008);

- The quarterly report of JPMorgan Chase on Form 10-Q for the quarterly period ended March 31, 2008 (filed on May 12, 2008); and

- The current reports of JPMorgan Chase on Form 8-K filed on February 29, 2008 (two reports filed), March 3, 2008, March 6, 2008, March 10, 2008, March 11, 2008 (two reports filed), March 12, 2008, March 13, 2008, March 14, 2008 (two reports filed), March 17, 2008, March 18, 2008 (two reports filed), March 19, 2008, March 20, 2008, March 21, 2008, March 24, 2008 (two reports filed), March 25, 2008, March 27, 2008, March 28, 2008 (three reports filed), March 31, 2008 (two reports filed), April 1, 2008, April 4, 2008, April 7, 2008, April 11, 2008, April 11, 2008, April 14, 2008, April 15, 2008, April 16, 2008 (two reports filed), April 17, 2008 (two reports filed), April 21, 2008, April 22, 2008, April 23, 2008 (two reports filed), April 24, 2008 (two reports filed), April 25, 2008 (two reports filed), April 28, 2008, April 29, 2008, May 1, 2008, May 6, 2008 (two reports filed), May 7, 2008 (two reports filed), May 8, 2008, May 9, 2008, May 13, 2008 (three reports filed), May 16, 2008 (two reports filed), May 19, 2008, May 20, 2008, May 21, 2008 (two reports filed), May 22, 2008, May 23, 2008 (two reports filed), May 28, 2008, May 29, 2008 (two reports filed), May 30, 2008 (two reports filed), June 2, 2008, June 3, 2008, June 5, 2008 (three reports filed), June 6, 2008, June 10, 2008, June 12, 2008 (two reports filed), June 13, 2008, June 16, 2008, June 17, 2008 (two reports filed), June 19, 2008, June 20, 2008 (two reports filed), June 23, 2008 (two reports filed), June 26, 2008 (two reports filed), June 27, 2008 (two reports filed), June 30, 2008, July 1, 2008, July 7, 2008, July 8, 2008, July 11, 2008 (two reports filed), July 15, 2008 (two reports filed), July 16, 2008 (two reports filed), July 17, 2008 (three reports filed) and July 21, 2008 (other than, in each case, those documents or the portions of those documents not deemed to be filed).

In addition, this disclosure statement incorporates by reference the most recent quarterly Consolidated Reports of Condition and Income of the Bank filed with our primary federal regulator (the "**Call Reports**"), the Bank's Call Reports for the years ended December 31, 2007 and December 31, 2006, and any future Call Reports filed with our primary federal regulator until we complete our offering of the CDs, or if later, the date on which any of our affiliates ceases offering and selling the CDs. Call Reports are available at the FDIC's website at http://www.fdic.gov.

JPMorgan Chase makes available free of charge, through its website, annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and any amendments to those reports filed or furnished, pursuant to Section 13(a) or Section 15(d) of the Exchange Act, as soon as reasonably practicable after it electronically files such material with, or furnishes such material to, the SEC. You may also request, at no cost to you, a written copy of these documents and any documents incorporated by reference herein, including the most recent quarterly Call Report (other than exhibits to such documents) by writing or telephoning JPMorgan Chase at: Office of the Secretary, JPMorgan Chase, 270 Park Avenue, New York, NY 10017-2070 (Telephone: 212-270-4040).

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

JPMorgan Chase Bank, National Association is a wholly owned bank subsidiary of JPMorgan Chase & Co. ("JPMorgan Chase"). JPMorgan Chase is incorporated in the State of Delaware in the United States and is headquartered in New York, New York. JPMorgan Chase Bank is chartered by the Office of the Comptroller of the Currency, a bureau of the United States Department of the Treasury. JPMorgan Chase Bank's main office is located in Columbus, Ohio. JPMorgan Chase Bank had been organized in the legal form of a banking corporation organized under the laws of the State of New York in 1968 for an unlimited duration. On November 13, 2004, JPMorgan Chase Bank converted from a New York State banking corporation to a national banking association.

JPMorgan Chase Bank is a commercial bank offering a wide range of banking services to its customers both domestically and internationally. Chase Manhattan Bank USA, National Association is a principal bank subsidiary of JPMorgan Chase and serves as its credit card-issuing bank. JPMorgan Chase's principal nonbank subsidiary is J.P. Morgan Securities Inc., its U.S. investment banking firm. The bank and nonbank subsidiaries of JPMorgan Chase operate nationally as well as through overseas branches and subsidiaries, representative offices and affiliated banks.

JPMorgan Chase Bank's business is subject to examination and regulation by Office of the Comptroller of the Currency. We are a member of the Federal Reserve System and our deposits are insured by the Federal Deposit Insurance Corporation. Our Federal Reserve Bank Identification Number is 852218.

On March 16, 2008, JPMorgan Chase entered into an Agreement and Plan of Merger and a Guaranty Agreement with The Bear Stearns Companies Inc., both dated March 16, 2008 and subsequently amended and restated on March 24, 2008. For additional information regarding the proposed merger, the guaranty and related transactions, please see the current reports on form 8-K dated March 18, 2008 and March 24, 2008 listed under "Where You Can Find Out More About Us" above, which have been incorporated by reference into this disclosure statement.

Business Activities

Principal Activities

The business activities of JPMorgan Chase Bank are organized, for management reporting purposes, into six business segments, as well as corporate. JPMorgan Chase's wholesale businesses comprise the Investment Bank, Commercial Banking, Treasury & Securities Services and Asset Management segments. JPMorgan Chase's consumer businesses comprise of Retail Finance Services and Card Services segments. A description of these business segments, and the products and services they provide to their respective client bases, follows:

INVESTMENT BANK

JPMorgan Chase is one of the world's leading investment banks, with deep client relationships and broad product capabilities. The Investment Bank's ("**IB**") clients are corporations, financial institutions, governments and institutional investors. JPMorgan Chase offers a full range of investment banking products and services in all major capital markets, including advising on corporate strategy and structure, capital raising in equity and debt markets, sophisticated risk management, market-making in cash securities and derivative instruments, and research. The IB also commits JPMorgan Chase's own capital to proprietary investing and trading activities.

RETAIL FINANCIAL SERVICES

Retail Financial Services ("**RFS**"), which includes Regional Banking, Mortgage Banking and Auto Finance reporting segments, serves consumers and businesses through bank branches, ATMs, online banking and telephone banking.

CARD SERVICES

Card Services is one of the largest issuers of credit cards in the United States. With hundreds of partnerships, Card Services has a market leadership position in building loyalty programs with many of the world's most respected brands. The Chase Paymentech Solutions, LLC joint venture is a processor of MasterCard® and Visa® payments, which handled more than 19 billion transactions in 2007.

COMMERCIAL BANKING

Commercial Banking ("**CB**") serves a variety of corporations, municipalities, financial institutions and not-for-profit entities. CB delivers extensive industry knowledge, local expertise and a dedicated service model. In partnership with JPMorgan Chase's other businesses, CB provides comprehensive solutions including lending, treasury services, investment banking and asset management to meet its clients' U.S. and international financial needs.

TREASURY & SECURITIES SERVICES

Treasury & Securities Services ("**TSS**") is a global leader in providing transaction, investment and information services. TSS is one of the largest cash management providers in the world and a leading global custodian. Treasury Services ("**TS**") provides cash management, trade, wholesale card and liquidity products to small and midsized companies, multinational corporations, financial institutions and government entities. TS partners with the Commercial Banking, Retail Financial Services and Asset Management businesses to serve clients firmwide. As a result, certain TS revenues are included in other segments' results. Worldwide Securities Services ("**WSS**") holds, values, clears and services securities, cash and alternative investments for investors and broker-dealers, and manages depositary receipt programs globally.

ASSET & WEALTH MANAGEMENT

Asset Management ("**AM**") is a global leader in investment and wealth management. AM clients include institutions, retail investors and high-net-worth individuals in every major market throughout the world. AM offers global investment management in equities, fixed income, real estate, hedge funds, private equity and liquidity, including both money market instruments and bank deposits. AM also provides trust and estate and banking services to high-net-worth clients, and retirement services for corporations and individuals. The majority of AM's client assets are in actively managed portfolios.

CORPORATE

The Corporate sector is comprised of Private Equity, Treasury, corporate staff units and expense that is centrally managed. Private Equity includes JPMorgan Partners and ONE Equity Partners businesses. Treasury manages capital, liquidity, interest rate and foreign exchange risk and the investment portfolio for JPMorgan Chase. The corporate staff units include Central Technology and Operations, Internal Audit, Executive Office, Finance, Human Resources, Marketing & Communications, Legal & Compliance, Corporate Real Estate and General Services, Risk Management and Strategy & Development. Other centrally managed expense includes the JPMorgan Chase's occupancy and pension-related expenses, net of allocations to the business.

The delivery of this disclosure statement will not create any implication that there has been no change in our affairs since the date of this disclosure statement and the information with respect to us may only be accurate on the date of this document.

DEPOSIT INSURANCE

The CDs are protected by federal deposit insurance provided by the Bank Insurance Fund (the "**BIF**"), which is administered by the FDIC and backed by the full faith and credit of the U.S. Government, up to a maximum amount of $100,000, or in the case of deposits in certain retirement accounts as described below under "*Retirement Plans and Accounts – General*," effective April 1, 2006, up to a maximum amount of $250,000 per participant, for all deposits held in the same legal capacity per depository institution. Any accounts or deposits a holder maintains directly with the Bank in the same legal capacity as such holder maintains its CDs would be aggregated with such CDs for purposes of the $100,000 limit or the $250,000 per participant limit, as applicable. The maximum amount of Federal deposit insurance available for all deposits held by you in the same ownership capacity at the Bank may be adjusted for inflation beginning in the year 2010 and each fifth year thereafter. Although FDIC insurance coverage includes both principal and accrued interest (subject to the applicable limit), if the FDIC was appointed conservator or receiver of the Bank prior to the maturity of the CDs, the FDIC likely would take the position that any increase in the value of the Index between the date of deposit and the date the FDIC was appointed receiver or conservator was not insured because the return is not calculated until the maturity of the CD and would not be reflected as accrued interest on the books of the Bank at the time of such appointment. Accordingly, any Variable Return would not be insured by the FDIC prior to the Final Valuation Date. Depending on the structure of the Minimum Return, that amount also may not be subject to FDIC insurance prior to the Final Valuation Date. Any secondary market premium you pay for the CDs also will not be insured by the FDIC.

Each holder is responsible for monitoring the total amount of its deposits in order to determine the extent of deposit insurance coverage available to it on such deposits, including the CDs. In circumstances in which FDIC insurance coverage is needed, (a) the uninsured portion of the CDs or any other deposits will constitute unsecured claims on the receivership or conservatorship and (b) neither the Bank nor any broker will be responsible for any insured or uninsured portion of the CDs or any other deposits. Persons considering the purchase, ownership or disposition of a CD should consult their legal advisors concerning the availability of FDIC insurance.

The summary of FDIC deposit insurance regulations contained in this Disclosure Statement is not intended to be a full restatement of applicable FDIC regulations and interpretations, which may change from time to time, and in certain instances additional terms and conditions may apply which are not described above. Accordingly, the discussion in this document is qualified in its entirety by such rules, and the holder is urged to discuss with its attorney the insurance coverage afforded to any CD that it may purchase. Holders may also write to the following address: FDIC Office of Consumer Affairs, 550 17th Street, N.W., Washington, D.C. 20489.

If the CDs or other deposits of a holder at the Bank are assumed by another depository institution pursuant to a merger or consolidation, such CDs or deposits will continue to be separately insured from the deposits that such holder might have established with the acquirer until (a) the Maturity Date of the CDs or other time deposit which were assumed or (b) with respect to deposits which are not time deposits, the expiration of a six-month period from the date of the acquisition. Thereafter any assumed deposits will be aggregated with the existing deposits with the acquirer held in the same legal capacity for purposes of federal deposit insurance. Any deposit opened at the acquired institution after the acquisition will be aggregated with deposits established with the acquirer for purposes of federal deposit insurance.

The application of the federal deposit insurance limitation per depository institution in certain common factual situations is illustrated below:

Individual Customer Accounts. Funds owned by an individual and held in an account in the name of an agent or nominee of such individual (such as the CDs held in a brokerage account) are not treated as owned by the agent or nominee, but are added to other deposits of such individual held in the same legal capacity and are insured up to $100,000 in the aggregate.

Custodial Accounts. Funds in accounts held by a custodian, guardian or conservator (for example, under the Uniform Gifts to Minors Act) are not treated as owned by the custodian, but are added to other deposits of the minor or other beneficiary held in the same legal capacity and are insured up to $100,000 in the aggregate.

Joint Accounts. The interests of co-owners in funds in an account held under any form of joint ownership valid under applicable state law may be insured up to $100,000 in the aggregate, separately and in addition to the $100,000 allowed on other deposits individually owned by any of the co-owners of such account (hereinafter referred to as a "**Joint Account**"). Joint Accounts will be insured separately from such individually owned accounts only if each of the co-owners is an individual person and has a right of withdrawal on the same basis as the other co-owners. If the Joint Account meets the foregoing criteria then it will be deemed to be jointly owned; *provided* that the account records of the Bank are clear and unambiguous as to the ownership of the account. However, if the account records are ambiguous or unclear as to the manner in which the account is owned, then the FDIC may consider evidence other than such account records to determine ownership. The names of two or more persons on a Deposit Account will be conclusive evidence that the account is a Joint Account unless the deposit records as a whole are ambiguous and some other evidence indicates that there is a contrary ownership capacity.

In the event an individual has an interest in more than one Joint Account and different co-owners are involved, his interest in all of such Joint Accounts (subject to the limitation that such individual's insurable interest in any one account may not exceed $100,000 divided by the number of owners of such account) is then added together and insured up to $100,000 in the aggregate, with the result that no individual's insured interest in the joint account category can exceed $100,000. For deposit insurance purposes, the co-owners of any Joint Account are deemed to have equal interests in the Joint Account unless otherwise stated in the Bank's records.

Entity Accounts. The deposit accounts of any corporation, partnership or unincorporated association that is operated primarily for some purpose other than to increase deposit insurance are added together and insured up to $100,000 in the aggregate per depository institution.

Revocable Trust Accounts. Funds owned by an individual and deposited into a deposit account with respect to which the individual evidences an intention that upon his/her death the funds will belong to his or her spouse, children, grandchildren, parents, or siblings (each, a "**Qualifying Beneficiary**") are insured up to $100,000 as to each Qualifying Beneficiary, separately from any other deposit accounts of the owner or any other Qualifying Beneficiary. The owner's intention must be manifested in the title of the account, by using such terms as "in trust for" or "payable upon death to," and the Qualifying Beneficiaries must be named in the deposit account records of the depository institution. A revocable trust account established by a husband and wife that names the husband and wife as sole beneficiaries will be treated as a joint account and insured as described above under "*Joint Accounts*."

Irrevocable Trust Accounts. Funds in an account for an irrevocable trust (as determined under applicable state law) will be insured for up to $100,000 for the interest of each beneficiary, provided that the beneficiary's interest in the account is non-contingent (*i.e.*, capable of determination without evaluation of contingencies) and certain other criteria are met. The FDIC treats Coverdell education savings account as irrevocable trust accounts for deposit insurance purposes. The deposit insurance of each beneficiary's interest is separate from the coverage provided for other accounts maintained by the beneficiary, the grantor, the trustee or beneficiaries. The interests of a beneficiary in all irrevocable trust accounts at the Bank created by the same grantor will be aggregated and insured up to $100,000. When a bankruptcy trustee commingles the funds of two or more bankruptcy estates in the same trust account, the funds of each bankruptcy estate will receive separate pass-through coverage for up to $100,000.

Retirement Plans and Accounts – General. CDs are sometimes held in retirement plans and accounts. There are many types of plans and accounts. The amount of deposit insurance each will be entitled to and whether CDs held by the plan or account will be considered separately or aggregated with CDs of the Bank held in other plans or accounts in determining the amount of deposit insurance such accounts are entitled to will vary depending on the type of plan or account. It is therefore important to understand the type of plan or account holding the CD. Moreover, the Federal Deposit Insurance Corporation Improvement Act of 1991 ("**FDICIA**") and the Federal Deposit Insurance Reform Act of 2005 ("**Reform Act**") and regulations enacted by the FDIC to implement this law have made changes to the deposit insurance coverage of deposits held in retirement plans and accounts. The following sections entitled "*Individual Retirement Accounts*" and "*Employee Benefit Plans*" discuss the rules that apply to deposits of retirement plans and accounts.

Individual Retirement Accounts. Deposits made in a depository institution in connection with any individual retirement account ("**IRAs**") described in section 408(a) of the Internal Revenue Code of 1986, as amended (the "**Code**") are insured, in aggregate, for up to $250,000 as of April 1, 2006. However, deposits in IRAs are aggregated with the depositor's interests in deposits, including CDs, of eligible deferred compensation programs described in section 408(a) of the Code, and with individual account plans (as defined in section 3(34) of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**")) to the extent that participants have the right to direct the investment of assets held in individual accounts maintained on their behalf under the plan, and with individual accounts under any plan described in section 401(d) of the Code, to the extent the participants and beneficiaries under such plans have the right to direct the investment of assets held in the accounts, in applying the $250,000 deposit insurance coverage limit. The FDIC sometimes generically refers to this group of accounts as "self-directed retirement accounts." Supplementary FDIC materials indicate that Roth IRAs, self-directed Keogh Accounts, Simplified Employee Pension plans, Savings Incentive Match Plans for Employees and self-directed defined contribution plans (such as 401(k) plans) are intended to be included within this group; Coverdell education savings accounts, Health Savings Accounts, Medical Savings Accounts, accounts established under section 403(b) of the Code and defined-benefit plans are not. As discussed in "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.

Employee Benefit Plans. With certain limitations and exceptions, any deposit of an Employee Benefit Plan (as defined below) is insured, on a "pass-through" basis, up to $250,000 for the vested and non-contingent interest in such deposit of each Employee Benefit Plan participant, provided that the records of the depository institution indicate that the deposit is held for the benefit of each Employee Benefit Plan participant, and provided further that the Employee Benefit Plan participants can be identified from the records of the Employee Benefit Plan administrator. This deposit insurance coverage is separate from, and in addition to, the coverage to which each participant is entitled for deposits held in the same depository institution but in other capacities. As discussed in "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.

For this purpose, the term "Employee Benefit Plan" has the meaning given such term in section 3(3) of ERISA and also includes any plan described in section 401(d) of the Code, and any eligible deferred compensation plan described in section 457 of the Code. This includes "Keogh Plans" of owner-employees described in section 401(d) of the Code, tax-qualified pension, profit-sharing or stock bonus plans, and government and church plans. It does not include employee welfare plans (such as health and welfare trust funds, or medical or life insurance plans).

"Pass-through" insurance means that, instead of the Employee Benefit Plan's deposits at one depository institution being entitled to only $250,000 of insurance in total per institution, each participant in the Employee Benefit Plan is entitled to insurance of his or her interest in the Employee Benefit Plan's deposits of up to $250,000 per institution (subject to the exceptions and limitations noted below).

This general rule regarding pass-though insurance is subject to the following limitations and exceptions:

- *Total Coverage Might Not Equal $250,000 Times Number of Participants*. Each deposit held by an Employee Benefit Plan may not necessarily be insured for an amount equal to the number of participants multiplied by $250,000. For example, suppose an Employee Benefit Plan owns $500,000 in CDs at one institution. Suppose, further, that the Employee Benefit Plan has two participants, one with a vested non-contingent interest of $300,000 and one with a vested non-contingent interest of $200,000. The individual with the $300,000 interest would be insured up to the $250,000 limit and the individual with the $200,000 interest would be insured up to the full value of such interest.

- *Aggregation*. An individual's non-contingent interests in funds deposited with the same depository institution by different Employee Benefit Plans of the same employer or employee organization are aggregated for purposes of applying this pass-through $250,000 per participant deposit insurance limit, and are insured in aggregate only up to $250,000 per participant.

- *Contingent Interests/Overfunding*. Any portion of an Employee Benefit Plan's deposits that is not attributable to the non-contingent interests of Employee Benefit Plan participants is not eligible for pass-through deposit insurance coverage, and is insured, in aggregate, only up to $100,000.

To the extent that a CD purchaser expects its beneficial interest in the CDs to be fully covered by FDIC insurance, such purchaser, by purchasing a CD, is deemed to represent to the Bank and its broker that its beneficial interest (or if it is an agent, nominee, custodian or other person who is purchasing a CD for its beneficial owners, that each beneficial owner's beneficial interest) in other deposits in the Bank, when aggregated with the beneficial interest in the CD so purchased, to the extent that aggregation is required in determining insurance of accounts under the federal deposit insurance regulations, does not exceed $100,000 (or $250,000 per participant in the case of certain retirement accounts as described above).

No broker will be obligated to any holder for amounts not covered by deposit insurance. Neither the Bank nor any broker will be obligated to make any payments to any holder in satisfaction of any loss such holder might incur, including losses that result from (a) a delay in insurance payouts applicable to its CD, (b) its receipt of a decreased rate of return on the reinvestment of the proceeds received as a result of a payment on a CD prior to its scheduled maturity, (c) payment in cash of the CD principal prior to maturity in connection with the liquidation of an insured institution or the assumption of all or a portion of its deposit liabilities at a lower interest rate or (d) its receipt of a decreased variable return as compared to the Variable Return.

Insurance of Certificates of Deposits Issued By Bank One, National Association

If you already own certificates of deposit issued by Bank One, National Association ("**Bank One CDs**"), which merged into the Bank on November 13, 2004, those Bank One CDs will continue to be separately insured from the CDs until (i) the earliest Maturity Date after the expiration of a six-month period from the date of the bank merger if the Bank One CD matures after the expiration of such six-month time period or if the Bank One CD matures prior to the expiration of such six-month time period and is renewed at the same dollar amount and for the same term as the original Bank One CD or (ii) the expiration of a six-month period from the date of the merger if the Bank One CD matures prior to the expiration of such six-month time period and is renewed on any other basis.

Preference in Right of Payment

Federal law provides for a preference in right of payment of certain claims made in the liquidation or other resolution of any FDIC-insured depository institution. The statute requires claims to be paid in the following order:

- first, administrative expenses of the receiver;
- second, any deposit liability of the institution;
- third, any other general or senior liability of the institution not described below;
- fourth, any obligation subordinated to depositors or general creditors not described below;
- fifth, any obligation to shareholders or members (including any depository institution holding company or any shareholder or creditor of such company).

For purposes of the statute, deposit liabilities include any deposit payable at an office of the insured depository institution in the United States. They do not include international banking facility deposits or deposits payable at an office of the insured depository institution outside the United States.

In addition, in the view of the FDIC, any obligation of an FDIC-insured depository institution that is contingent at the time of the insolvency of the institution may not provide a basis for a claim against the FDIC as receiver for the insolvent institution.

DISCOUNTS AND SECONDARY MARKET

Unless otherwise disclosed in the relevant term sheet, we will sell the CDs to brokers at discounts ranging from 1% to 4.5% of the principal amount of such CDs.

Each broker, though not obligated to do so, may maintain a secondary market in the CDs. Secondary market transactions may be expected to be effected at prices which reflect then-current interest rates, supply and demand, time remaining until maturity, and general market conditions. The foregoing means that secondary market transactions may be effected at prices greater or less than $1,000 per $1,000 CD, and the yield to maturity on a CD purchased in the secondary market may differ from the yield at the time of original issuance. The prices at which CDs may trade in secondary markets may fluctuate more than ordinary interest-bearing CDs.

Each broker may purchase and sell CDs for its own account, as well as for the accounts of customers. Accordingly, a broker may realize profits from mark-ups on transactions for its own account, and may charge customers commissions in brokerage transactions, which mark-ups or commissions will affect the yield to maturity of such CDs. Any commission on a brokered secondary market transaction may be reflected in a holder’s Confirmation.

Each broker may at any time, without notice, discontinue participation in secondary market transactions in CDs. Accordingly, a holder should not rely on the possible existence of a secondary market for any benefits, including liquidity, achieving trading profits, limiting trading or other losses, or realizing income prior to maturity.

HEDGING

The original issue price of the CDs includes each agent's commissions with respect to the CDs and the estimated cost of hedging our obligations under the CDs. Unless otherwise specified in the relevant terms supplement, each agent's commissions will include the projected profit that our affiliates expect to realize in consideration for assuming the risks inherent in hedging our obligations under the CDs. Because hedging our obligations entails risk and may be influenced by market forces beyond our or our affiliates' control, our projected profit resulting from such hedging may result in a profit that is more or less than expected, or could result in a loss.

On or prior to the date we sell the CDs, we, through our affiliates or others, may hedge some or all of our anticipated exposure in connection with the CDs by taking positions in the applicable Indices and securities which comprise an Index, instruments whose value is derived from such Index or their underlying securities or other derivative instruments with returns linked to the performance of such Index. While we cannot predict an outcome, such hedging activity, coupled with our other hedging and investment activities, could potentially increase or decrease the level of such Index, and therefore effectively increase the risk of the Level (for CDs with continuous monitoring) or the Closing Level (for CDs with daily monitoring) of the Index or Indices on any Trading Day during the Observation Period is greater than the applicable Upper Index Barrier or less than the applicable Lower Index Barrier and of your receiving no Variable Return on your CDs. From time to time, prior to the maturity of the CDs, we may pursue a dynamic hedging strategy which may involve taking long or short positions in an Index, the securities underlying such Index or instruments whose value is derived from such Index or its underlying securities including but not limited to futures or options contracts or exchange-traded funds or other derivative instruments with returns linked or related to changes in the performance of such Index or its underlying securities. Although we have no reason to believe that any of these activities will have a material impact on the level of such Index or the value of the CDs, we cannot assure you that these activities will not have such an effect.

We have no obligation to engage in any manner of hedging activity and will do so solely at our discretion and for our own account. No holder of CDs shall have any rights or interest in our hedging activity or any positions we may take in connection with our hedging activity.

BENEFIT PLAN INVESTOR CONSIDERATIONS

A fiduciary of a pension, profit-sharing or other employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), including entities such as collective investment funds, partnerships and separate accounts whose underlying assets include the assets of such plans (collectively, "**ERISA Plans**") should consider the fiduciary standards of ERISA in the context of the ERISA Plans' particular circumstances before authorizing an investment in the CDs. Among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the ERISA Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans, as well as individual retirement accounts and Keogh plans subject to Section 4975 of the Code (together with ERISA Plans, "**Plans**"), from engaging in certain transactions involving the "plan assets" with persons who are "parties in interest" under ERISA or "disqualified persons" under the Code ("**Parties in Interest**") with respect to such Plans. As a result of our business, we are a Party in Interest with respect to many Plans. Where we are a Party in Interest with respect to a Plan (either directly or by reason of ownership of our subsidiaries), the purchase and holding of the CDs by or on behalf of the Plan would be a prohibited transaction under Section 406 of ERISA and Section 4975 of the Code, unless exemptive relief were available under an applicable exemption (as described below).

Accordingly, the CDs may not be purchased or held by any Plan, any entity whose underlying assets include "plan assets" by reason of any Plan's investment in the entity (a "**Plan Asset Entity**") or any person investing "plan assets" of any Plan, unless such purchaser or holder is eligible for the exemptive relief available under Section 408(b)(17) of ERISA or Prohibited Transaction Class Exemption ("**PTCE**") 96-23, 95-60, 91-38, 90-1 or 84-14 issued by the U.S. Department of Labor or the statutory exemptions under Section 408(b)(17) of ERISA and Section 4975(d)(20) are available or there was some other basis on which the purchase and holding of the CDs is not prohibited. Each purchaser or holder of the CDs or any interest therein will be deemed to have represented by its purchase of the CDs that (a) its purchase and holding of the CDs is not made on behalf of or with "plan assets" of any Plan or (b) its purchase and holding of the CDs will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) are not subject to these "prohibited transaction" rules of ERISA or Section 4975 of the Code, but may be subject to similar rules under other applicable laws or documents ("**Similar Laws**"). Accordingly, each purchaser or holder of the CDs shall be required to represent (and deemed to constitute a representation) that such purchase and holding is not prohibited under applicable Similar Laws.

Due to the complexity of the applicable rules, it is particularly important that fiduciaries or other persons considering purchasing the CDs on behalf of or with "plan assets" of any Plan consult with their counsel regarding the relevant provisions of ERISA, the Code or any Similar Laws and the availability of exemptive relief.

Each purchaser and holder of the CDs has exclusive responsibility for ensuring that its purchase and holding of the CDs does not violate the fiduciary or prohibited transaction rules of ERISA, the Code or any Similar Laws. The sale of any CDs to any Plan or plan subject to similar laws is in no respect a representation by us or any of our affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by such plans generally or any particular plan, or that such an investment is appropriate for plans generally or any particular plan.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES

No Reliance

This summary is limited to the federal tax issues addressed herein. It does not address all aspects of the U.S. federal income and estate taxation of the CDs that may be relevant to you in light of your particular circumstances. This summary was written in connection with the marketing of the CDs, and it cannot be used by you for the purpose of avoiding penalties that may be asserted against you under the Internal Revenue Code 1986, as amended (the "Code"). You should seek advice based on your particular circumstances from an independent tax adviser.

CIRCULAR 230

TO ENSURE COMPLIANCE WITH UNITED STATES INTERNAL REVENUE SERVICE CIRCULAR 230, (A) ANY DISCUSSIONS OF U.S. FEDERAL TAX ISSUES IN THIS DISCLOSURE STATEMENT WERE WRITTEN IN CONNECTION WITH THE PROMOTION AND MARKETING OF THE CDS; (B) SUCH DISCUSSIONS WERE NOT INTENDED OR WRITTEN TO BE LEGAL OR TAX ADVICE TO ANY PERSON AND WERE NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY PERSON, FOR THE PURPOSE OF AVOIDING ANY U.S. FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON SUCH PERSON; AND (C) EACH PERSON SHOULD SEEK ADVICE BASED ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, EACH HOLDER AND BENEFICIAL OWNER OF CDS (AND EACH EMPLOYEE, REPRESENTATIVE, OR OTHER AGENT OF EACH HOLDER AND BENEFICIAL OWNER OF CDS) MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE TAX TREATMENT AND TAX STRUCTURE OF THE TRANSACTIONS DESCRIBED HEREIN AND ALL MATERIALS OF ANY KIND

THAT ARE PROVIDED TO THE HOLDER OR BENEFICIAL OWNER OF CDS RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE (AS SUCH TERMS ARE DEFINED IN TREASURY REGULATION SECTION 1.6011-4). THE AUTHORIZATION OF TAX DISCLOSURE IS RETROACTIVELY EFFECTIVE TO THE COMMENCEMENT OF DISCUSSIONS WITH HOLDERS OR BENEFICIAL OWNERS OF CDS REGARDING THE TRANSACTIONS CONTEMPLATED HEREIN.

Introduction

The following is a general discussion of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of CDs. This discussion applies to you if you are an initial holder of CDs purchasing the CDs at their issue price for cash and if you hold the CDs as capital assets within the meaning of Section 1221 of the Code.

This summary is based on the Code, existing and proposed Treasury regulations, revenue rulings, administrative interpretations and judicial decisions, in each case as currently in effect, all of which are subject to change, possibly with retroactive effect. This summary does not address all aspects of the U.S. federal income taxation of the CDs that may be relevant to you in light of your particular circumstances or if you are a holder of CDs who is subject to special treatment under the U.S. federal income tax laws, such as:

- a financial institution;
- an insurance company;
- a “regulated investment company” as defined in Section 851 of the Code;
- a “real estate investment trust” as defined in Section 856 of the Code;
- a tax-exempt entity, including an “individual retirement account” or “Roth IRA” as defined in Section 408 or 408A of the Code, respectively;
- a dealer in securities;
- a person holding the CDs as part of a hedging transaction, “straddle,” conversion transaction, or integrated transaction, or who has entered into a “constructive sale” with respect to the CDs;
- a U.S. Holder (as defined below) whose functional currency is not the U.S. dollar;
- a trader in securities who elects to apply a mark-to-market method of tax accounting; or
- a partnership or other entity classified as a partnership for U.S. federal income tax purposes.

As the law applicable to the U.S. federal income taxation of instruments such as the CDs is technical and complex, the discussion below necessarily represents only a general summary. Moreover, the effects of any applicable state, local or foreign tax laws are not discussed. You should consult your tax adviser concerning the U.S. federal income tax consequences of owning and disposing of the CDs, as well as any consequences under the laws of any state, local or foreign taxing jurisdiction.

Tax Treatment of the CDs

The tax treatment of the CDs will depend upon the facts at the time of the relevant offering. Generally, we and you will agree to treat CDs with a term of more than one year as “contingent payment debt instruments” for U.S. federal income tax purposes.

Tax Consequences to U.S. Holders

The following discussion applies to you only if you are a “U.S. Holder” of CDs. You are a “U.S. Holder” if you are a beneficial owner of a CD for U.S. federal income tax purposes that is:

- a citizen or resident of the United States;
- a corporation or other entity taxable as a corporation created or organized under the laws of the United States, any State thereof or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

CDs that Are Treated as "Short-Term Debt Instruments"

The following discussion applies to CDs with a term of not more than one year (including either the issue date or the last possible date that the CDs could be outstanding, but not both) that are treated as "short-term debt instruments" for U.S. federal income tax purposes. No statutory, judicial or administrative authority directly addresses the treatment of short-term CDs or similar instruments for U.S. federal income tax purposes, and no ruling will be requested from the Internal Revenue Service (the "IRS") with respect to short-term CDs. As a result, certain aspects of the U.S. federal income tax consequences of an investment in short-term CDs are uncertain.

Cash-method holders will not be required to recognize income with respect to short-term CDs prior to maturity, other than pursuant to a sale or exchange, as described below. Although accrual-method holders and certain other holders are generally required to accrue ordinary income on short-term CDs on a straight-line basis, because the amount that will be received with respect to the CDs is uncertain, it is not clear how these accruals should be determined. Moreover, if the amount of interest that will be received has become fixed (or the likelihood of interest not being a fixed amount has become "remote") prior to the maturity date, it is possible that the amount of interest to be accrued will be determined based on the fixed amount. You should consult your tax adviser regarding the determination of the amount if, any, of these accruals on the CDs.

On the maturity date of a short-term CD, if the amount you receive exceeds your adjusted tax basis in the CD, this excess should be treated as ordinary interest income. Your adjusted tax basis in the CD should equal the sum of the amount you paid to acquire the CD and previously accrued interest income, if any, less any payments previously received on the CD. If the amount you receive is less than your adjusted tax basis in the CD, this difference should be treated as a short-term capital loss, which may be subject to special reporting requirements if it exceeds certain thresholds. The deductibility of capital losses is subject to limitations.

Upon a sale or exchange of a short-term CD, you should recognize gain or loss in an amount equal to the difference between the amount you receive and your adjusted tax basis in the CD. Any resulting loss will be treated as a capital loss, which may be subject to special reporting requirements if it exceeds certain thresholds. It is not clear, however, whether or to what extent gain from a sale or exchange should be treated as capital gain or ordinary interest income. If the amount of interest to be received at maturity has become fixed (or the likelihood of such amount not being a fixed amount has become "remote") prior to a sale or exchange, it is possible that the portion of gain on such sale or exchange that should be treated as accrued interest (and, therefore, taxed as ordinary interest income) will be determined based on the fixed amount. You should consult your tax adviser regarding the proper treatment of any gain recognized upon a sale or exchange of a short-term CD.

To the extent you have not previously included interest income on a short-term CD, you may be required to defer deductions for interest paid on indebtedness incurred to purchase or carry the CD until the maturity of the CD or until you dispose of the CD in a taxable transaction. You should consult your tax adviser regarding the possible deferral of interest deductions on indebtedness that you incur to purchase or carry a short-term CD.

Due to the absence of authorities that directly address the U.S. federal income tax consequences of a short-term CD with contingent payments, no assurances can be given that the IRS will accept, or that a court will uphold, the tax treatment of short-term CDs described above. Alternative tax characterizations of a short-term CD are possible which, if applied, could affect the character of the income or loss with respect to the CDs. You should consult your tax adviser regarding the U.S. federal income tax treatment of an investment in short-term CDs.

CDs that Are Treated as "Contingent Payment Debt Instruments"

The following discussion applies to CDs that are treated as "contingent payment debt instruments" for U.S. federal income tax purposes. Unless otherwise provided in the relevant terms supplement, if the term of the CDs (including either the issue date or last possible date that the CDs could be outstanding, but not both) is more than one year, the CDs will be treated as "contingent payment debt instruments" for U.S. federal income tax purposes. These CDs will generally be subject to the original issue discount ("OID") provisions of the Code and the Treasury regulations issued thereunder, and you will be required to accrue as interest income the OID on the CDs as described below.

We are required to determine a "comparable yield" for the CDs. The "comparable yield" is the yield at which we could issue a fixed-rate debt instrument with terms similar to those of the CDs, including the level of subordination, term, timing of payments and general market conditions, but excluding any adjustments for the riskiness of the contingencies or the liquidity of the CDs. Solely for purposes of determining the amount of interest income that you will be required to accrue, we are also required to construct a "projected payment schedule" in respect of the CDs representing a series of payments the amount and timing of which would produce a yield to maturity on the CDs equal to the comparable yield. **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.**

For U.S. federal income tax purposes, you are required to use our determination of the comparable yield and projected payment schedule in determining interest accruals and adjustments in respect of a CD, unless you timely disclose and justify the use of other estimates to the IRS. Regardless of your accounting method, you will be required to accrue as interest income OID on the CDs at the comparable yield, adjusted upward or downward to reflect the difference, if any, between the actual and the projected amount of the variable return on the CDs (as described below).

Upon a sale, exchange or other disposition (including retirement at maturity or early redemption) of a CD, you generally will recognize taxable gain or loss in an amount equal to the difference between the amount received from the sale, exchange or retirement and your adjusted tax basis in the CD. Your adjusted tax basis in a CD will equal the cost thereof, increased by the amount of interest income previously accrued by you in respect of the CD. You generally must treat any gain as interest income and any loss as ordinary loss to the extent of previous interest inclusions, and the balance as capital loss. These losses are not subject to the limitations imposed on miscellaneous itemized deductions under Section 67 of the Code. The deductibility of capital losses, however, is subject to limitations. Additionally, if you recognize a loss above certain thresholds, you may be required to file a disclosure statement with the IRS. You should consult your tax adviser regarding these limitations and reporting obligations.

If either the Level (for CDs with continuous monitoring) or the Closing Level (for CDs with daily monitoring), as the case may be, of the Index or Indices to which your CDs are linked on any Trading Day during the Observation Period is greater than the applicable Upper Index Barrier or less than the applicable Lower Index Barrier, your payment on the maturity date will be limited to the principal amount of your CD (plus the Minimum Return, if applicable). Special rules will apply if a variable return on a CD becomes fixed more than six months prior to its scheduled date of payment. For this purpose, a payment will be treated as fixed if (and when) all remaining contingencies with respect to it are remote or incidental, within the meaning of the Treasury regulations. Thus, if either the Level (for CDs with continuous monitoring) or the Closing Level (for CDs with daily monitoring), as the case may be, of the Index or Indices to which your CDs are linked on any Trading Day during the Observation Period is greater than the applicable Upper Index Barrier or less than the applicable Lower Index Barrier during the term of the CDs, these special rules could possibly apply to the CDs. Under these rules, you would be required to account for the difference between the present value of the originally projected payment at maturity and the present value of the fixed payment at maturity (*i.e.*, of principal, or principal plus the Minimum Return, if applicable) in a reasonable manner over the period to which the difference relates. In addition, you may be required to make adjustments to, among other things, your accrual periods and your adjusted tax basis in the CDs. The character of any gain or loss on a sale or exchange of your CDs could also be affected. You should consult your tax adviser concerning the application of these special rules.

Tax Consequences to Non-U.S. Holders

The following discussion applies to you only if you are a "Non-U.S. Holder" of a CD. You are a "Non-U.S. Holder" if you are a beneficial owner of a CD for U.S. federal income tax purposes that is:

- a nonresident alien individual;
- a foreign corporation; or
- a nonresident alien fiduciary of a foreign estate or trust.

You are not a "Non-U.S. Holder" for purposes of this discussion if you are an individual present in the United States for 183 days or more in the taxable year of disposition of a CD. In this case, you should consult your own tax adviser regarding the U.S. federal income tax consequences of the sale, exchange or other disposition (including retirement at maturity or early redemption) of a CD.

If you are a Non-U.S. Holder, interest paid to you on the CDs, and any gain realized by you on a sale or exchange of the CDs, will be exempt from U.S. federal income tax (including withholding tax), unless (i) such amounts are effectively connected with your conduct of a U.S. trade or business, or (ii) you are an individual present in the United States for 183 days or more in the year of such sale or exchange and certain other conditions are met. However, as described below, backup withholding may apply unless certain certification requirements are met. Also, income allocable to Non-U.S. Holders may be subject to annual tax reporting on IRS Form 1042-S.

In the case of CDs with respect to which the PHLX Housing Sector^{SM} Index is the Index or one of the Indices, unless otherwise provided in the relevant term sheet, we do not expect to withhold on the Variable Return, provided you satisfy the certification requirement described below. Non-U.S. Holders purchasing CDs linked to the PHLX Housing Sector Index should consult their own tax advisers regarding the possibility of such withholding, including the possibility of obtaining a refund of withheld amounts. However, the IRS may not agree with our position that there should be no withholding as described above.

If you are engaged in a trade or business in the United States and if the income or gain on the CDs, if any, is effectively connected with your conduct of that trade or business, although exempt from the withholding tax discussed above, you will generally be subject to regular U.S. federal income tax on this income or gain in the same manner as if you were a U.S. Holder and you may be required to provide a properly executed IRS Form W-8ECI. If this paragraph applies to you, you should consult your tax adviser with respect to other U.S. tax consequences of the ownership and disposition of the CDs, including the possible imposition of a 30% branch profits tax if you are a corporation.

If you are an individual, your CDs will not be included in your gross estate for U.S. federal estate tax purposes, provided that interest on the CDs is not then effectively connected with your conduct of a U.S. trade or business.

Backup Withholding and Information Reporting

Interest (including OID) paid or accrued on the CDs and the proceeds received from a sale, exchange or other disposition (including retirement at maturity or early redemption) of the CDs will generally be subject to information reporting if you are not an "exempt recipient" (such as a domestic corporation) and may also be subject to backup withholding at the rates specified in the Code if you fail to provide certain identifying information (such as an accurate taxpayer identification number, if you are a U.S. Holder) and meet certain other conditions. However, if you are a Non-U.S. Holder, you will generally be exempt from backup withholding and information reporting requirements if you certify that you are not a U.S. person and meet certain other conditions or otherwise establish an exemption from those rules. Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or credited against your U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

THE INDICES

The CDs may be linked to one or more Indices, including the S&P 500® Index, the Nikkei 225 Index, the Dow Jones EURO STOXX 50® Index, the Russell 2000® Index, the NASDAQ 100® Index and the PHLX Housing Sector℠ Index and the Dow Jones Industrial Average℠. All information regarding the Indices set forth in this disclosure statement has been derived from publicly available information. We make no representation or warranty as to the accuracy or completeness of the information obtained from Bloomberg Financial Markets.

THE S&P 500® INDEX

We have derived all information contained in this disclosure statement regarding the S&P 500® Index, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by, Standard & Poor's, a division of the McGraw-Hill Companies, Inc. ("**S&P**"). The S&P 500® Index was developed by S&P and is calculated, maintained and published by S&P. We make no representation or warranty as to the accuracy or completeness of such information.

The S&P 500® Index is intended to provide a performance benchmark for the U.S. equity markets. The calculation of the level of the S&P 500® Index (discussed below in further detail) is based on the relative value of the aggregate Market Value (as defined below) of the common stocks of 500 companies (the "**S&P Component Stocks**") as of a particular time as compared to the aggregate average Market Value of the common stocks of 500 similar companies during the base period of the years 1941 through 1943. Historically, the "**Market Value**" of any S&P Component Stock was calculated as the product of the market price per share and the number of the then outstanding shares of such S&P Component Stock. As discussed below, on March 21, 2005, S&P began to use a new methodology to calculate the Market Value of the S&P Component Stocks and on September 16, 2005, S&P completed its transition to the new calculation methodology. The 500 companies are not the 500 largest companies listed on the New York Stock Exchange (the "NYSE") and not all 500 companies are listed on such exchange. S&P chooses companies for inclusion in the S&P 500® Index with the objective of achieving a distribution by broad industry groupings that approximates the distribution of these groupings in the common stock population of the U.S. equity market. S&P may from time to time, in its sole discretion, add companies to, or delete companies from, the S&P 500® Index to achieve the objectives stated above. Relevant criteria employed by S&P include the viability of the particular company, the extent to which that company represents the industry group to which it is assigned, the extent to which the company's common stock is widely-held and the Market Value and trading activity of the common stock of that company.

On March 21, 2005, S&P began to calculate the S&P 500® Index based on a half float-adjusted formula, and on September 16, 2005, the S&P 500® Index became fully float adjusted. S&P's criteria for selecting stocks for the S&P 500® Index has not be changed by the shift to float adjustment. However, the adjustment affects each company's weight in the S&P 500® Index (*i.e.*, its Market Value).

Under float adjustment, the share counts used in calculating the S&P 500® Index reflect only those shares that are available to investors, not all of a company's outstanding shares. S&P defines three groups of shareholders whose holdings are subject to float adjustment:

- holdings by other publicly traded corporations, venture capital firms, private equity firms, strategic partners, or leveraged buyout groups;

- holdings by government entities, including all levels of government in the United States or foreign countries; and

- holdings by current or former officers and directors of the company, founders of the company, or family trusts of officers, directors, or founders, as well as holdings of trusts, foundations, pension funds, employee stock ownership plans, or other investment vehicles associated with and controlled by the company.

However, treasury stock, stock options, restricted shares, equity participation units, warrants, preferred stock, convertible stock, and rights are not part of the float. In cases where holdings in a group exceed 10% of the outstanding shares of a company, the holdings of that group will be excluded from the float-adjusted count of shares to be used in the S&P 500® Index calculation. Mutual funds, investment advisory firms, pension funds, or foundations not associated with the company and investment funds in insurance companies, shares of a United States company traded in Canada as "exchangeable shares," shares that trust beneficiaries may buy or sell without difficulty or significant additional expense beyond typical brokerage fees, and, if a company has multiple classes of stock outstanding, shares in an unlisted or non-traded class if such shares are convertible by shareholders without undue delay and cost, are also part of the float.

For each stock, an investable weight factor ("**IWF**") is calculated by dividing the available float shares, defined as the total shares outstanding less shares held in one or more of the three groups listed above where the group holdings exceed 10% of the outstanding shares, by the total shares outstanding. (On March 21, 2005, the S&P 500® Index moved halfway to float adjustment, meaning that if a stock has an IWF of 0.80, the IWF used to calculate the S&P 500® Index between March 21, 2005 and September 16, 2005 was 0.90. On September 16, 2005, S&P began to calculate the S&P 500® Index on a fully float-adjusted basis, meaning that if a stock has an IWF of 0.80, the IWF used to calculate the S&P 500® Index on and after September 16, 2005 is 0.80.) The float-adjusted S&P 500® Index is calculated by dividing the sum of the IWF multiplied by both the price and the total shares outstanding for each stock by the index divisor. For companies with multiple classes of stock, S&P calculates the weighted average IWF for each stock using the proportion of the total company market capitalization of each share class as weights.

As of the date of this disclosure statement, the S&P 500® Index is calculated using a base-weighted aggregate methodology: the level of the S&P 500® Index reflects the total Market Value of all 500 S&P Component Stocks relative to the S&P 500® Index's base period of 1941–43 (the "**Base Period**").

An indexed number is used to represent the results of this calculation in order to make the value easier to work with and track over time.

The actual total Market Value of the S&P Component Stocks during the Base Period has been set equal to an indexed value of 10. This is often indicated by the notation 1941–43=10. In practice, the daily calculation of the S&P 500® Index is computed by dividing the total Market Value of the S&P Component Stocks by a number called the "**Index Divisor**." By itself, the Index Divisor is an arbitrary number. However, in the context of the calculation of the S&P 500® Index, it is the only link to the original Base Period level of the S&P 500® Index. The Index Divisor keeps the Index comparable over time and is the manipulation point for all adjustments to the Index ("Index Maintenance").

Index Maintenance includes monitoring and completing the adjustments for company additions and deletions, share changes, stock splits, stock dividends, and stock price adjustments due to company restructurings or spinoffs.

To prevent the level of the S&P 500® Index from changing due to corporate actions, all corporate actions which affect the total Market Value of the S&P 500® Index require an Index Divisor adjustment. By adjusting the Index Divisor for the change in total Market Value, the level of the S&P 500® Index remains constant. This helps maintain the level of the S&P 500® Index as an accurate barometer of stock market performance and ensures that the movement of the S&P 500® Index does not reflect the corporate actions of individual companies in the S&P 500® Index. All Index Divisor adjustments are made after the close of trading and after the calculation of the S&P 500® Index Closing Level. Some corporate actions, such as stock splits and stock dividends, require simple changes in the common shares outstanding and the stock prices of the companies in the S&P 500® Index and do not require Index Divisor adjustments.

The table below summarizes the types of Index maintenance adjustments and indicates whether or not an Index Divisor adjustment is required.

Type of Corporate Action	Comments	Divisor Adjustment
Company added/ deleted	Net change in market value determines divisor adjustment.	Yes
Change in shares outstanding	Any combination of secondary issuance, share repurchase or buy back – share counts revised to reflect change.	Yes
Stock split	Share count revised to reflect new count. Divisor adjustment is not required since the share count and price changes are offsetting.	No
Spin-off	If spun-off company is not being added to the index, the divisor adjustment reflects the decline in index market value (*i.e.*, the value of the spun-off unit).	Yes
Spin-off	Spun-off company added to the index, no company removed from the index.	No
Spin-off	Spun-off company added to the index, another company removed to keep number of names fixed. Divisor adjustment reflects deletion.	Yes
Change in IWF due to a corporate action or a purchase or sale by an inside holder.	Increasing (decreasing) the IWF increases (decreases) the total market value of the index. The divisor change reflects the change in market value caused by the change to an IWF.	Yes
Special Dividend	When a company pays a special dividend the share price is assumed to drop by the amount of the dividend; the divisor adjustment reflects this drop in index market value.	Yes
Rights offering	Each shareholder receives the right to buy a proportional number of additional shares at a set (often discounted) price. The calculation assumes that the offering is fully subscribed. Divisor adjustment reflects increase in market cap measured as the shares issued multiplied by the price paid.	Yes

Stock splits and stock dividends do not affect the Index Divisor, because following a split or dividend, both the stock price and number of shares outstanding are adjusted by S&P so that there is no change in the Market Value of the S&P Component Stock. All stock split and dividend adjustments are made after the close of trading on the day before the ex-date.

Each of the corporate events exemplified in the table requiring an adjustment to the Index Divisor has the effect of altering the Market Value of the S&P Component Stock and consequently of altering the aggregate Market Value of the S&P Component Stocks (the "**Post-Event Aggregate Market Value**"). In order that the level of the S&P 500® Index (the "**Pre-Event Index Value**") not be affected by the altered Market Value (whether increase or decrease) of the affected S&P Component Stock, a new Index Divisor ("**New Divisor**") is derived as follows:

$$\frac{\text{Post-Event Aggregate Market Value}}{\text{New Divisor}} = \text{Pre-Event Index Value}$$

$$\text{New Divisor} = \frac{\text{Post-Event Aggregate Market Value}}{\text{Pre-Event Index Value}}$$

A large part of the Index maintenance process involves tracking the changes in the number of shares outstanding of each of the S&P 500® Index companies. Four times a year, on a Friday close to the end of each calendar quarter, the share totals of companies in the S&P 500® Index are updated as required by any changes in the number of shares outstanding. After the totals are updated, the Index Divisor is adjusted to compensate for the net change in the total Market Value of the S&P 500® Index. In addition, changes in a company's shares outstanding of 5% or more due to mergers, acquisitions, public offerings, private placements, tender offers, Dutch auctions or exchange offers are made as soon as reasonably possible. Other changes of 5% or more (due to, for example, company stock repurchases, redemptions, exercise of options, warrants, conversion of preferred stock, notes, debt, equity participations or other recapitalizations) are made weekly, and are announced on Tuesdays for implementation after the close of trading on Wednesday. In the case of certain rights issuances, in which the number of rights issued and/or terms of their exercise are deemed substantial, a price adjustment and share increase may be implemented immediately.

License Agreement with S&P

S&P and JPMSI have entered into a non-exclusive license agreement providing for the sub-license to us, and certain of our affiliated or subsidiary companies, in exchange for a fee, of the right to use the S&P 500® Index, which is owned and published by S&P, in connection with certain securities, including the CDs.

The CDs are not sponsored, endorsed, sold or promoted by Standard & Poor's, a division of The McGraw-Hill Companies, Inc., which, as above, we refer to as S&P. S&P makes no representation or warranty, express or implied, to the owners of the CDs or any member of the public regarding the advisability of investing in securities generally or in the CDs particularly, or the ability of the S&P 500® Index to track general stock market performance. S&P's only relationship to JPMorgan Chase & Co. is the licensing of certain trademarks and trade names of S&P without regard to JPMorgan Chase & Co. or the CDs. S&P has no obligation to take the needs of JPMorgan Chase & Co. or the holders of the CDs into consideration in determining, composing or calculating the S&P 500® Index. S&P is not responsible for and has not participated in the determination of the timing, price or quantity of the CDs to be issued or in the determination or calculation of the amount due at maturity of the CDs. S&P has no obligation or liability in connection with the administration, marketing or trading of the CDs.

S&P DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE S&P 500® INDEX OR ANY DATA INCLUDED THEREIN AND S&P SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS OR INTERRUPTIONS THEREIN. S&P MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY JPMORGAN CHASE & CO., HOLDERS OF THE CDS, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE S&P 500® INDEX OR ANY DATA INCLUDED THEREIN. S&P MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE S&P 500® INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL S&P HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

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Discontinuation of the S&P 500® Index; Alteration of Method of Calculation

If S&P discontinues publication of the S&P 500® Index and S&P or another entity publishes a successor or substitute index that the calculation agent determines, in its sole discretion, to be comparable to the discontinued S&P 500® Index (such index being referred to herein as an "**S&P successor index**"), then any S&P 500® Index Closing Level will be determined by reference to the level of such S&P successor index at the close of trading on the NYSE, the AMEX, the NASDAQ Stock Market or the relevant exchange or market for the S&P successor index on the relevant Final Valuation Date(s) or other relevant date or dates as set forth in the relevant term sheet.

If S&P discontinues publication of the S&P 500® Index prior to, and such discontinuation is continuing on, an Final Valuation Date or other relevant date as set forth in the relevant term sheet, and the calculation agent determines, in its sole discretion, that no S&P successor index is available at such time, or the calculation agent has previously selected an S&P successor index and publication of such S&P successor index is discontinued prior to, and such discontinuation is continuing on, such Final Valuation Date or other relevant date, then the calculation agent will determine the S&P 500® Index Closing Level for such date. The S&P 500® Index Closing Level will be computed by the calculation agent in accordance with the formula for and method of calculating the S&P 500® Index or S&P successor index, as applicable, last in effect prior to such discontinuation, using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, its good faith estimate of the closing price that would have prevailed but for such suspension or limitation) at the close of the principal trading session on such date of each security most recently composing the S&P 500® Index or S&P successor index, as applicable. Notwithstanding these alternative arrangements, discontinuation of the publication of the S&P 500® Index may adversely affect the value of the CDs.

If at any time the method of calculating the S&P 500® Index or an S&P successor index, or the level thereof, is changed in a material respect, or if the S&P 500® Index or an S&P successor index is in any other way modified so that the S&P 500® Index or such S&P successor index does not, in the opinion of the calculation agent, fairly represent the level of the S&P 500® Index or such S&P successor index had such changes or modifications not been made, then the calculation agent will, at the close of business in New York City on each date on which the S&P 500® Index Closing Level is to be determined, make such calculations and adjustments as, in the good faith judgment of the calculation agent, may be necessary in order to arrive at a level of a stock index comparable to the S&P 500® Index or such S&P successor index, as the case may be, as if such changes or modifications had not been made, and the calculation agent will calculate the S&P 500® Index Closing Level with reference to the S&P 500® Index or such S&P successor index, as adjusted. Accordingly, if the method of calculating the S&P 500® Index or an S&P successor index is modified so that the level of the S&P 500® Index or such S&P successor index is a fraction of what it would have been if there had been no such modification (*e.g.*, due to a split in the S&P 500® Index), then the calculation agent will adjust its calculation of the S&P 500® Index or such S&P successor index in order to arrive at a level of the S&P 500® Index or such S&P successor index as if there had been no such modification (*e.g.*, as if such split had not occurred).

THE NIKKEI 225 INDEX

We have derived all information regarding the Nikkei 225 Index contained in this disclosure statement, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by Nikkei Inc. The Nikkei 225 Index was developed by Nikkei Inc. and is calculated, maintained and published by Nikkei Inc. We make no representation or warranty as to the accuracy or completeness of such information. Nikkei Inc. has no obligation to continue to publish, and may discontinue publication of, the Nikkei 225 Index.

The Nikkei 225 Index is a stock index calculated, published and disseminated by Nikkei Inc. that measures the composite price performance of selected Japanese stocks. The Nikkei 225 Index, as of the date of this disclosure statement is based on 225 underlying stocks (the "Nikkei Underlying Stocks") trading on the Tokyo Stock Exchange ("TSE") representing a broad cross-section of Japanese industries. All 225 Nikkei Underlying Stocks are stocks listed in the First Section of the TSE. Stocks listed in the First Section of the TSE are among the most actively traded stocks on the TSE. Nikkei Inc. rules require that the 75 most liquid issues (one-third of the component count of the Nikkei 225 Index) be included in the Nikkei 225 Index.

The 225 companies included in the Nikkei 225 Index are divided into six sector categories: Technology, Financials, Consumer Goods, Materials, Capital Goods/Others and Transportation and Utilities. These six sector categories are further divided into 36 industrial classifications as follows:

- Technology — Pharmaceuticals, Electrical Machinery, Automobiles, Precision Machinery, Telecommunications;
- Financials — Banks, Miscellaneous Finance, Securities, Insurance;
- Consumer Goods — Marine Products, Food, Retail, Services;
- Materials — Mining, Textiles, Paper and Pulp, Chemicals, Oil, Rubber, Ceramics, Steel, Nonferrous Metals, Trading House;
- Capital Goods/Others — Construction, Machinery, Shipbuilding, Transportation Equipment, Miscellaneous Manufacturing, Real Estate; and
- Transportation and Utilities — Railroads and Buses, Trucking, Shipping, Airlines, Warehousing, Electric Power, Gas.

The Nikkei 225 Index is a modified, price-weighted index (*i.e.*, an Nikkei Underlying Stock's weight in the index is based on its price per share rather than the total market capitalization of the issuer) which is calculated by (i) multiplying the per share price of each Nikkei Underlying Stock by the corresponding weighting factor for such Nikkei Underlying Stock (a "Weight Factor"), (ii) calculating the sum of all these products and (iii) dividing such sum by a divisor (the "Divisor"). The Divisor was initially set at 225 for the date of May 16, 1949 using historical numbers from May 16, 1949, the date on which the TSE was reopened. The Divisor was 24.394 as of April 2, 2008 and is subject to periodic adjustments as set forth below. Each Weight Factor is computed by dividing ¥50 by the par value of the relevant Nikkei Underlying Stock, so that the share price of each Nikkei Underlying Stock when multiplied by its Weight Factor corresponds to a share price based on a uniform par value of ¥50. The stock prices used in the calculation of the Nikkei 225 Index are those reported by a primary market for the Nikkei Underlying Stocks (currently the TSE). The level of the Nikkei 225 Index is calculated once per minute during TSE trading hours.

In order to maintain continuity in the Nikkei 225 Index in the event of certain changes due to non-market factors affecting the Nikkei Underlying Stocks, such as the addition or deletion of stocks, substitution of stocks, stock splits or distributions of assets to stockholders, the Divisor used in calculating the Nikkei 225 Index is adjusted in a manner designed to prevent any instantaneous change or discontinuity in the level of the Nikkei 225 Index. Thereafter, the Divisor remains at the new value until a further adjustment is necessary as the result of another change. As a result of such change affecting any Nikkei Underlying Stock, the Divisor is adjusted in such a way that the sum of all share prices immediately after such change multiplied by the applicable Weight Factor and divided by the new Divisor (*i.e.*, the level of the Nikkei 225 Index immediately after such change) will equal the level of the Nikkei 225 Index immediately prior to the change.

A Nikkei Underlying Stock may be deleted or added by Nikkei Inc. Any stock becoming ineligible for listing in the First Section of the TSE due to any of the following reasons will be deleted from the Nikkei Underlying Stocks: (i) bankruptcy of the issuer, (ii) merger of the issuer with, or acquisition of the issuer by, another company, (iii) delisting of such stock, (iv) transfer of such stock to the “Seiri-Post” because of excess debt of the issuer or because of any other reason or (v) transfer of such stock to the Second Section. In addition, a component stock transferred to the “Kanri-Post” (Posts for stocks under supervision) is in principle a candidate for deletion. Nikkei Underlying Stocks with relatively low liquidity, based on trading value and rate of price fluctuation over the past five years, may be deleted by Nikkei Inc. Upon deletion of a stock from the Nikkei Underlying Stocks, Nikkei Inc. will select a replacement for such deleted Nikkei Underlying Stock in accordance with certain criteria. In an exceptional case, a newly listed stock in the First Section of the TSE that is recognized by Nikkei Inc. to be representative of a market may be added to the Nikkei Underlying Stocks. In such a case, an existing Nikkei Underlying Stock with low trading volume and deemed not to be representative of a market will be deleted by Nikkei Inc.

A list of the issuers of the Nikkei Underlying Stocks constituting the Nikkei 225 Index is available from the Nikkei Economic Electronic Databank System and from the Stock Market Indices Data Book published by Nikkei Inc. Nikkei Inc. may delete, add or substitute any stock underlying the Nikkei 225 Index. Nikkei Inc. first calculated and published the Nikkei 225 Index in 1970.

License Agreement with Nikkei Inc. and Disclaimers

We expect to enter into an agreement with Nikkei Inc. that would provide us and certain of our affiliates or subsidiaries identified in that agreement with a non-exclusive license and, for a fee, with the right to use the Nikkei 225 Index, which is owned and published by Nikkei Inc., in connection with certain securities.

Our license agreement with Nikkei Inc. will provide that Nikkei Inc. will assume no obligation or responsibility for use of the Nikkei 225 Index by us or our affiliates.

The Nikkei 225 is an intellectual property of Nikkei Inc. Nikkei Inc. was formerly known as Nihon Keizai Shimbun, Inc. The name was changed on January 1, 2007. “Nikkei,” “Nikkei Stock Average,” and “Nikkei 225” are the service marks of Nikkei Inc. Nikkei Inc. reserves all the rights, including copyright, to the Nikkei 225 Index. Nikkei Digital Media, Inc., a wholly owned subsidiary of Nikkei Inc. calculates and disseminates the Nikkei 225 Index under exclusive agreement with Nikkei Inc. Nikkei Inc. and Nikkei Digital Media Inc. are collectively referred to as the “Nikkei 225 Index Sponsor.”

The CDs are not in any way sponsored, endorsed or promoted by the Nikkei 225 Index Sponsor. The Nikkei 225 Index Sponsor does not make any warranty or representation whatsoever, express or implied, either as to the results to be obtained as to the use of the Nikkei 225 Index or the figure as which the Index stands at any particular day or otherwise. The Nikkei 225 Index is compiled and calculated solely by the Nikkei 225 Index Sponsor. However, the Nikkei 225 Index Sponsor shall not be liable to any person for any error in the Nikkei 225 Index and the Nikkei 225 Index Sponsor shall not be under any obligation to advise any person, including a purchase or vendor of the CDs, of any error therein.

In addition, the Nikkei 225 Index Sponsor gives no assurance regarding any modification or change in any methodology used in calculating the Nikkei 225 Index and is under no obligation to continue the calculation, publication and dissemination of the Nikkei 225 Index.

Discontinuation of the Nikkei 225 Index; Alteration of Method of Calculation

If Nikkei Inc. discontinues publication of the Nikkei 225 Index and Nikkei Inc. or another entity publishes a successor or substitute index that the calculation agent determines, in its sole discretion, to be comparable to the discontinued Nikkei 225 Index (such index being referred to herein as a "Nikkei successor index"), then any Nikkei 225 Index closing level will be determined by reference to the level of such Nikkei successor index at the close of trading on the TSE (2nd session) or the relevant exchange or market for the Nikkei successor index on any Final Valuation Date or other relevant date as set forth in the relevant term sheet.

Upon any selection by the calculation agent of a Nikkei successor index, the calculation agent will cause written notice thereof to be promptly furnished to the trustee, to us and to the holders of the CDs.

If Nikkei Inc. discontinues publication of the Nikkei 225 Index prior to, and such discontinuation is continuing on, any Final Valuation Date or other relevant date as set forth in the relevant term sheet and the calculation agent determines, in its sole discretion, that no Nikkei successor index is available at such time, or the calculation agent has previously selected a Nikkei successor index and publication of such Nikkei successor index is discontinued prior to, and such discontinuation is continuing on, such Final Valuation Date or other relevant date, then the calculation agent will determine the Nikkei 225 Index closing level for such date. The Nikkei 225 Index closing level will be computed by the calculation agent in accordance with the formula for and method of calculating the Nikkei 225 Index or Nikkei successor index, as applicable, last in effect prior to such discontinuation, using the closing level (or, if trading in the relevant securities has been materially suspended or materially limited, its good faith estimate of the closing level that would have prevailed but for such suspension or limitation) at the close of the principal trading session on such date of each security most recently composing the Nikkei 225 Index or Nikkei successor index, as applicable. Notwithstanding these alternative arrangements, discontinuation of the publication of the Nikkei 225 Index may adversely affect the value of the CDs.

If at any time the method of calculating the Nikkei 225 Index or a Nikkei successor index, or the level thereof, is changed in a material respect, or if the Nikkei 225 Index or a Nikkei successor index is in any other way modified so that the Nikkei 225 Index or such Nikkei successor index does not, in the opinion of the calculation agent, fairly represent the level of the Nikkei 225 Index or such Nikkei successor index had such changes or modifications not been made, then the calculation agent will, at the close of business in New York City on each date on which the Nikkei 225 Index closing level is to be determined, make such calculations and adjustments as, in the good faith judgment of the calculation agent, may be necessary in order to arrive at a level of a stock index comparable to the Nikkei 225 Index or such Nikkei successor index, as the case may be, as if such changes or modifications had not been made, and the calculation agent will calculate the Nikkei 225 Index closing level with reference to the Nikkei 225 Index or such Nikkei successor index, as adjusted. Accordingly, if the method of calculating the Nikkei 225 Index or a Nikkei successor index is modified so that the level of the Nikkei 225 Index or such Nikkei successor index is a fraction of what it would have been if there had been no such modification (*e.g.*, due to a split in the Nikkei 225 Index), then the calculation agent will adjust its calculation of the Nikkei 225 Index or such Nikkei successor index in order to arrive at a level of the Nikkei 225 Index or such Nikkei successor index as if there had been no such modification (*e.g.*, as if such split had not occurred).

The Tokyo Stock Exchange

The TSE is one of the world's largest securities exchanges in terms of market capitalization. Trading hours are currently from 9:00 a.m. to 11:00 a.m. and from 12:30 p.m. to 3:00 p.m., Tokyo time, Monday through Friday.

Due to the time zone difference, on any normal Trading Day the TSE will close prior to the opening of business in New York City on the same calendar day. Therefore, the closing level of the Nikkei 225 Index on a Trading Day will generally be available in the United States by the opening of business on the same calendar day.

The TSE has adopted certain measures, including daily price floors and ceilings on individual stocks, intended to prevent any extreme short-term price fluctuations resulting from order imbalances. In general, any stock listed on the TSE cannot be traded at a price lower than the applicable price floor or higher than the applicable price ceiling. These price floors and ceilings are expressed in absolute Japanese yen, rather than percentage limits based on the closing price of the stock on the previous Trading Day. In addition, when there is a major order imbalance in a listed stock, the TSE posts a “special bid quote” or a “special asked quote” for that stock at a specified higher or lower price level than the stock’s last sale price in order to solicit counter-orders and balance supply and demand for the stock. Prospective investors should also be aware that the TSE may suspend the trading of individual stocks in certain limited and extraordinary circumstances, including, for example, unusual trading activity in that stock. As a result, changes in the Nikkei 225 Index may be limited by price limitations or special quotes, or by suspension of trading, on individual stocks that make up the Nikkei 225 Index, and these limitations, in turn, may adversely affect the value of the CDs.

THE DOW JONES EURO STOXX 50® INDEX

We have derived all information contained in this disclosure statement regarding the Dow Jones EURO STOXX 50® Index ("Dow Jones EURO STOXX 50® Index"), including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by, STOXX Limited. The Dow Jones EURO STOXX 50® Index is calculated, maintained and published by STOXX Limited. We make no representation or warranty as to the accuracy or completeness of such information.

The Dow Jones EURO STOXX 50® Index was created by STOXX Limited, a joint venture between Deutsche Börse AG, Dow Jones & Company ("Dow Jones") and SWX Swiss Exchange. Publication of the Dow Jones EURO STOXX 50® Index began on February 26, 1998, based on an initial Dow Jones EURO STOXX 50® Index value of 1,000 at December 31, 1991. The Dow Jones EURO STOXX 50® Index is published in The Wall Street Journal and disseminated on the STOXX Limited website: http://www.stoxx.com, which sets forth, among other things, the country and industrial sector weightings of the securities included in the Dow Jones EURO STOXX 50® Index and updates these weightings at the end of each quarter. Information contained in the STOXX Limited website is not incorporated by reference in, and should not be considered a part of, this disclosure statement.

Dow Jones EURO STOXX 50® Index Composition and Maintenance

The Dow Jones EURO STOXX 50® Index is composed of 50 component stocks of market sector leaders from within the Dow Jones EURO STOXX 50® Index, which includes stocks selected from the Eurozone. The component stocks have a high degree of liquidity and represent the largest companies across all market sectors defined by the Dow Jones Global Classification Standard.

The composition of the Dow Jones EURO STOXX 50® Index is reviewed annually, based on the closing stock data on the last Trading Day in August. The component stocks are announced the first Trading Day in September. Changes to the component stocks are implemented on the third Friday in September and are effective the following Trading Day. Changes in the composition of the Dow Jones EURO STOXX 50® Index are made to ensure that the Dow Jones EURO STOXX 50® Index includes the 50 market sector leaders from within the Dow Jones EURO STOXX® Index. A current list of the issuers that comprise the Dow Jones EURO STOXX 50® Index is available on the STOXX Limited website: http://www.stoxx.com. Information contained in the STOXX Limited website is not incorporated by reference in, and should not be considered a part of, this disclosure statement or any term sheet.

The free float factors for each component stock used to calculate the Dow Jones EURO STOXX 50® Index, as described below, are reviewed, calculated and implemented on a quarterly basis and are fixed until the next quarterly review. Each component's weight is capped at 10% of the index's total free float market capitalization.

The Dow Jones EURO STOXX 50® Index is also reviewed on an ongoing basis. Corporate actions (including initial public offerings, mergers and takeovers, spin-offs, delistings and bankruptcy) that affect the Dow Jones EURO STOXX 50® Index composition are immediately reviewed. Any changes are announced, implemented and effective in line with the type of corporate action and the magnitude of the effect.

Dow Jones EURO STOXX 50® Index Calculation

The Dow Jones EURO STOXX 50® Index is calculated with the "Laspeyres formula," which measures the aggregate price changes in the component stocks against a fixed base quantity weight. The formula for calculating the Dow Jones EURO STOXX 50® Index value can be expressed as follows:

$$\text{Index} = \frac{\text{Free Float Market Capitalization Of The Dow Jones Euro Stoxx 50® Index}}{\text{Adjusted Base Date Market Capitalization Of The Dow Jones Euro Stoxx 50® Index}} \times 1{,}000$$

The “free float market capitalization of the Dow Jones EURO STOXX 50® Index” is equal to the sum of the products of the closing price, market capitalization and free float factor for each component stock as of the time the Dow Jones EURO STOXX 50® Index is being calculated.

The Dow Jones EURO STOXX 50® Index is also subject to a divisor, which is adjusted to maintain the continuity of Dow Jones EURO STOXX 50® Index values despite changes due to corporate actions. The following is a summary of the adjustments to any component stock made for corporate actions and the effect of such adjustment on the divisor, where shareholders of the component stock will receive “B” number of shares for every “A” share held (where applicable).

(1) Special cash dividend: Adjusted price = closing price – dividend announced by the company × (1 – withholding tax) Divisor: decreases	*(2) Split and reverse split:* Adjusted price = closing price * A/B New number of shares = old number of shares * B/A Divisor: no change
(3) Rights offering: Adjusted price = (closing price * A + subscription price * B) / (A + B) New number of shares = old number of shares * (A + B) / A Divisor: increases	*(4) Stock dividend of another company:* Adjusted price = closing price * A / (A + B) New number of shares = old number of shares * (A + B) / A Divisor: no change
(5) Stock dividend of another company: Adjusted price = (closing price * A - price of other company * B) / A Divisor: decreases	*(6) Return of capital and share consideration:* Adjusted price = (closing price - dividend announced by company * (1-withholding tax)) * A / B New number of shares = old number of shares * B / A Divisor: decreases
(7) Repurchase shares / self tender: Adjusted price = ((price before tender * old number of shares) - (tender price * number of tendered shares)) / (old number of shares - number of tendered shares) New number of shares = old number of shares – number of tendered shares Divisor: decreases	
(8) Spin-off: Adjusted price = (closing price * A - price of spun-off shares *B) / A Divisor: decreases	

<table>
<tr><td colspan="2">(9) Combination stock distribution (dividend or split) and rights offering:
For this corporate action, the following additional assumptions apply:
Shareholders receive B new shares from the distribution and C new shares from the rights offering for every A share held.
If A is not equal to one share, all the following “new number of shares” formulae need to be divided by A:</td></tr>
<tr><td>- If rights are applicable after stock distribution (one action applicable to other):

Adjusted price = (closing price * A + subscription price * C * (1 + B / A)) / ((A + B) * (1 + C / A))

New number of shares = old number of shares * ((A + B) * (1 + C / A)) / A

Divisor: increases</td><td>- If stock distribution is applicable after rights offering (one action applicable to other):

Adjusted price = (closing price * A + subscription price * C) / ((A + C) * (1 + B / A))

New number of shares = old number of shares * ((A + C) * (1 + B / A))

Divisor: increases</td></tr>
<tr><td colspan="2">- Stock distribution and rights (neither action is applicable to the other):

Adjusted price = (closing price * A + subscription price * C) / (A + B + C)

New number of shares = old number of shares * (A + B + C) / A

Divisor: increases</td></tr>
</table>

License Agreement with STOXX Limited

We have entered into an agreement with STOXX Limited providing us and certain of our affiliates or subsidiaries identified in that agreement with a non exclusive license and, for a fee, with the right to use the Dow Jones EURO STOXX 50® Index, which is owned and published by STOXX Limited, in connection with certain securities, including the CDs.

The CDs are not sponsored, endorsed, sold or promoted by STOXX Limited (including its affiliates) (collectively referred to as “STOXX Limited”). STOXX Limited has not passed on the legality or suitability of, or the accuracy or adequacy of descriptions and disclosures relating to the CDs. STOXX Limited makes no representation or warranty, express or implied to the owners of the CDs or any member of the public regarding the advisability of investing in securities generally or in the CDs particularly, or the ability of the Dow Jones EURO STOXX 50® Index to track general stock market performance. STOXX Limited and Dow Jones have no relationship to JPMorgan Chase other than the licensing of the Dow Jones EURO STOXX 50® Index and the related trademarks for use in connection with the CDs, which index is determined, composed and calculated by STOXX Limited without regard to JPMorgan Chase or the CDs. STOXX Limited and Dow Jones have no obligation to take the needs of JPMorgan Chase or the owners of the CDs into consideration in determining, composing or calculating the Dow Jones EURO STOXX 50® Index. STOXX Limited and Dow Jones are not responsible for and have not participated in the determination of the timing of, prices at, or quantities of the CDs to be issued or in the determination or calculation of the equation by which the CDs are to be converted into cash. STOXX Limited and Dow Jones have no liability in connection with the administration, marketing or trading of the CDs.

STOXX LIMITED DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE DOW JONES EURO STOXX 50® INDEX OR ANY DATA INCLUDED THEREIN AND STOXX LIMITED AND DOW JONES SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS OR INTERRUPTIONS THEREIN. STOXX LIMITED MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY JPMORGAN CHASE, HOLDERS OF THE CDS, OR ANY OTHER PERSON OR ENTITY IN CONNECTION WITH THE USE OF THE DOW JONES EURO STOXX 50® INDEX OR ANY DATA INCLUDED THEREIN. STOXX LIMITED MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE DOW JONES EURO STOXX 50® INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE

FOREGOING, IN NO EVENT SHALL STOXX LIMITED HAVE ANY LIABILITY FOR ANY LOST PROFITS OR SPECIAL, INCIDENTAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES, EVEN IF NOTIFIED OF THE POSSIBILITY THEREOF. THE LICENSING AGREEMENT BETWEEN JPMORGAN CHASE& CO. AND STOXX LIMITED IS SOLELY FOR THEIR BENEFIT AND NOT FOR THE BENEFIT OF THE OWNERS OF THE CDS OR ANY THIRD PARTIES.

"DOW JONES EURO STOXX 50®" AND "STOXX®" ARE THE INTELLECTUAL PROPERTY (INCLUDING REGISTERED TRADEMARKS) OF STOXX LIMITED, ZURICH, SWITZERLAND AND/OR DOW JONES & COMPANY, INC., A DELAWARE CORPORATION, NEW YORK, USA (THE "LICENSORS"), AND HAVE BEEN LICENSED FOR CERTAIN PURPOSES BY JPMORGAN CHASE & CO. THE CDS ARE NOT SPONSORED, ENDORSED, SOLD OR PROMOTED BY THE LICENSORS, AND THE LICENSORS MAKE NO REPRESENTATION REGARDING THE ADVISABILITY OF INVESTING IN THE CDS.

Discontinuation of the Dow Jones EURO STOXX 50® Index; Alteration of Method of Calculation

If STOXX Limited discontinues publication of the Dow Jones EURO STOXX 50® Index and STOXX Limited or another entity publishes a successor or substitute index that the calculation agent determines, in its sole discretion, to be comparable to the discontinued Dow Jones EURO STOXX 50® Index (such index being referred to herein as a "EURO STOXX successor index"), then any Dow Jones EURO STOXX 50® Index closing level will be determined by reference to the level of such EURO STOXX successor index at the close of trading on the relevant exchange or market for the EURO STOXX successor index on such Final Valuation Date or other relevant date as set forth in the relevant term sheet.

Upon any selection by the calculation agent of a EURO STOXX successor index, the calculation agent will cause written notice thereof to be promptly furnished to the trustee, to us and to the holders of the CDs.

If STOXX Limited discontinues publication of the Dow Jones EURO STOXX 50® Index prior to, and such discontinuance is continuing on, the Final Valuation Date or other relevant date as set forth in the relevant term sheet, and the calculation agent determines, in its sole discretion, that no EURO STOXX successor index is available at such time, then the calculation agent will determine the Dow Jones EURO STOXX 50® Index closing level for such date. The Dow Jones EURO STOXX 50® Index closing level will be computed by the calculation agent in accordance with the formula for and method of calculating the Dow Jones EURO STOXX 50® Index or Dow Jones EURO STOXX successor index, as applicable, last in effect prior to such discontinuance, using the closing level (or, if trading in the relevant securities has been materially suspended or materially limited, its good faith estimate of the closing level that would have prevailed but for such suspension or limitation) at the close of the principal trading session on such date of each security most recently comprising the Dow Jones EURO STOXX 50® Index or Dow Jones EURO STOXX successor index, as applicable. Notwithstanding these alternative arrangements, discontinuance of the publication of the Dow Jones EURO STOXX 50® Index or Dow Jones EURO STOXX successor index, as applicable, on the relevant exchange may adversely affect the value of the CDs.

If at any time the method of calculating the Dow Jones EURO STOXX 50® Index or a Dow Jones EURO STOXX successor index, or the level thereof, is changed in a material respect, or if the Dow Jones EURO STOXX 50® Index or a Dow Jones EURO STOXX successor index is in any other way modified so that the Dow Jones EURO STOXX 50® Index or such Dow Jones EURO STOXX successor index does not, in the opinion of the calculation agent, fairly represent the level of the Dow Jones EURO STOXX 50® Index or such Dow Jones EURO STOXX successor index had such changes or modifications not been made, then the calculation agent will, at the close of business in New York City on the Final Valuation Date, make such calculations and adjustments as, in the good faith judgment of the calculation agent, may be necessary in order to arrive at a level of a stock index comparable to the Dow Jones EURO STOXX 50® Index or such Dow Jones EURO STOXX successor index, as the case may be, as if such changes or modifications had not been made, and the calculation agent will calculate the Dow Jones

EURO STOXX 50® Index closing level with reference to the Dow Jones EURO STOXX 50® Index or such Dow Jones EURO STOXX successor index, as adjusted. Accordingly, if the method of calculating the Dow Jones EURO STOXX 50® Index or a Dow Jones EURO STOXX successor index is modified so that the level of such Dow Jones EURO STOXX 50® Index or Dow Jones EURO STOXX successor index is a fraction of what it would have been if there had been no such modification (*e.g.*, due to a split in the Dow Jones EURO STOXX 50® Index), then the calculation agent will adjust such Dow Jones EURO STOXX 50® Index in order to arrive at a level of the Dow Jones EURO STOXX 50® Index or such Dow Jones EURO STOXX successor index as if there had been no such modification (*e.g.*, as if such split had not occurred).

THE RUSSELL 2000® INDEX

We have derived all information contained in this disclosure statement regarding the Russell 2000® Index, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by, Frank Russell Company ("**Frank Russell**"). The Russell 2000® Index was developed by Russell Investment Group (formerly, Frank Russell Company) and is calculated, maintained and published by Russell Investments ("Russell"), a subsidiary of Russell Investment Group. We make no representation or warranty as to the accuracy or completeness of such information

The Russell 2000® Index is an index calculated, published and disseminated by Russell, and measures the capitalization-weighted price performance of the stocks included in the Russell 2000® Index (the "Russell 2000 Component Stocks"). All stocks included in the Russell 2000® Index are traded on the NYSE, the AMEX, or the NASDAQ Stock Market, and are the middle 2,000 of the securities that form the Russell 3000E™ Index. The Russell 3000E™ Index is composed of the 4,000 largest U.S. companies as determined by market capitalization and represents approximately 99% of the U.S. equity market.

The Russell 2000® Index consists of the middle 2,000 companies included in the Russell 3000E™ Index. The Russell 2000® Index is designed to track the performance of the small capitalization segment of the U.S. equity market.

Selection of stocks underlying the Index. The Russell 2000® Index is a sub-group of the Russell 3000E™ Index. To be eligible for inclusion in the Russell 3000E™ Index, and, consequently, the Russell 2000® Index, a company's stocks must be listed on May 31 of a given year and Frank Russell must have access to documentation verifying the company's eligibility for inclusion. Beginning in September 2004, eligible initial public offerings are added to Russell U.S. indices at the end of each calendar quarter, based on total market capitalization rankings within the market-adjusted capitalization breaks established during the most recent reconstitution. To be added to any Russell U.S. index during a quarter outside of reconstitution, initial public offerings must meet additional eligibility criteria.

U.S.-incorporated companies are eligible for inclusion in the Russell 3000E™ Index and, consequently, the Russell 2000® Index. Beginning May 31, 2007, companies incorporated in the following countries/regions are also reviewed for eligibility: the Bahamas, Belize, Bermuda, the British Virgin Islands, Cayman Islands, Channel Islands, Cook Islands, Gibraltar, Isle of Man, Liberia, Marshall Islands, Netherlands Antilles and Panama. However, not all companies incorporated in these regions are eligible for inclusion in the Russell 3000E™ Index, and, consequently, the Russell 2000® Index. Companies incorporated in these regions are specifically considered eligible for the Russell 2000® Index only if the company meets one of the following criteria: (i) the company headquarters are in the U.S. or (ii) the company headquarters are also in the designated region/country, and the primary exchange for local shares is in the United States. ADRs are not eligible for inclusion in the Russell 3000E™ Index, and, consequently, the Russell 2000® Index.

The following securities are specifically excluded from the Russell 2000® Index: (i) stocks that are not traded on a major U.S. exchange; (ii) preferred stock, convertible preferred stock, redeemable shares, participating preferred stock, warrants and rights; and (iii) trust receipts, royalty trusts, limited liability companies, OTC Bulletin Board companies, pink sheets, over-the-counter traded securities, closed-end investment companies and limited partnerships. In addition, Berkshire Hathaway is excluded as a special exception.

The primary criteria used to determine the initial list of securities eligible for the Russell 3000E™ Index is total market capitalization, which is defined as the price of the shares times the total number of available shares. All common stock share classes are combined in determining market capitalization. If multiple share classes have been combined, the price of the primary trading vehicle (usually the most liquid) is used in the calculations. In cases where the common stock share classes act independently of each other (*e.g.*, tracking stocks), each class is considered for inclusion separately. Stocks must trade at or above $1.00 on May 31st of each year to be eligible for inclusion in the Russell 2000® Index. However, if a stock falls below $1.00 intra-year, it will not be removed until the next reconstitution if it is still trading below $1.00.

The Russell 2000® Index is reconstituted annually to reflect changes in the marketplace. The list of companies is ranked based on total market capitalization as of May 31st, with the actual reconstitution effective on the first trading day following the final Friday of June each year, except that if the last Friday of June of any year is the 28th, 29th or 30th, reconstitution will occur on the preceding Friday. Changes in the constituents are pre-announced and subject to change if any corporate activity occurs or if any new information is received prior to release.

Capitalization Adjustments. As a capitalization-weighted index, the Russell 2000® Index reflects changes in the capitalization, or market value, of the Russell Component Stocks relative to the capitalization on a base date. The current Russell 2000® Index value is calculated by adding the market values of the Russell Component Stocks, which are derived by multiplying the price of each stock by the number of available shares, to arrive at the total market capitalization of the 2,000 stocks. The total market capitalization is then divided by a divisor, which represents the "adjusted" capitalization of the Russell 2000® Index on the base date of December 31, 1986. To calculate the Russell 2000® Index, last sale prices will be used for exchange-traded and NASDAQ stocks. If a Russell Component Stock is not open for trading, the most recently traded price for that security will be used in calculating the Russell 2000® Index. In order to provide continuity for the value of the Russell 2000® Index, the divisor is adjusted periodically to reflect events including changes in the number of common shares outstanding for Russell Component Stocks, company additions or deletions, corporate restructurings and other capitalization changes.

Available shares are assumed to be shares available for trading. Exclusion of capitalization held by other listed companies and large holdings of private investors (10% or more) is based on information recorded in Securities and Exchange Commission (the "Commission") corporate filings. Other sources are used in cases of missing or questionable data.

The following types of shares are considered unavailable for the purposes of capitalization determinations:

- ESOP or LESOP shares – corporations that have Employee Stock Ownership Plans that comprise 10% or more of the shares outstanding are adjusted;

- Corporate cross-owned shares – corporate cross-ownership occurs when shares of a company in the Russell 2000® Index are held by another member of a Russell index (including Russell Global Indexes). Any percentage held in this class will be adjusted;

- Large private and corporate shares – large private and corporate holdings are defined as those shares held by an individual, a group of individuals acting together or a corporation not in the Russell 2000® Index that own 10% or more of the shares outstanding. However, not to be included in this class are institutional holdings, which are: investment companies not in the Russell 2000® Index, partnerships, insurance companies not in the Russell 2000® Index, mutual funds, banks not in the Russell 2000® Index or venture capital funds;

- Unlisted share classes – classes of common stock that are not traded on a U.S. securities exchange; and

- Initial public offering lock-ups – shares locked-up during an initial public offering are not available to the public and will be excluded from the market value at the time the initial public offering enters the Russell 2000® Index.

Corporate Actions Affecting the Russell 2000® Index. The following summarizes the types of index maintenance adjustments and indicates whether or not an index adjustment is required.

- “No Replacement” Rule – Securities that leave the Russell 2000® Index, between reconstitution dates, for any reason (*e.g.*, mergers, acquisitions or other similar corporate activity) are not replaced. Thus, the number of securities in the Russell 2000® Index over a year will fluctuate according to corporate activity.

- Rules for Deletions – When a stock is acquired, delisted or moves to the pink sheets or bulletin boards on the floor of a U.S. securities exchange, the stock is deleted from the Russell 2000® Index at the market close on the effective date or when the stock is no longer trading on the exchange if the corporate action is considered to be final prior to 2:00 p.m. Eastern Standard Time, or the following day if the corporate action is considered to be final after 2:00 p.m. Eastern Standard Time. Companies that file for a Chapter 7 liquidation bankruptcy will be removed from the Russell 2000® Index at the time of the bankruptcy filing; whereas, companies filing for a Chapter 11 reorganization bankruptcy will remain a member of the Russell 2000® Index, unless the company is de-listed from the primary exchange, in which case normal de-listing rules apply. Members of the Russell 2000® Index that are re-incorporated in another country are deleted when the re-incorporation is final.

- Rules for Additions – The only additions between reconstitution dates are as a result of spin-offs and initial public offerings. Spin-off companies are added to the parent company’s index and capitalization tier of membership, *if* the spin-off company is sufficiently large. To be eligible, the spun-off company’s total market capitalization must be greater than the market-adjusted total market capitalization of the smallest security in the Russell 3000E™ Index at the latest reconstitution. If a U.S. spin-off occurs from a Russell Global ex-U.S. Index member, the spun-off company will be placed in the parent’s index and capitalization tier of the Russell Global Index.

- Merger and Acquisition – When mergers or acquisitions occur, changes to the membership and weighting of members within the Russell 2000® Index occur. In the event a merger or acquisition occurs between members of the Russell 2000® Index, the acquired company is deleted and its market capitalization moves to the acquiring stock according to the terms of the merger, hence, mergers have no effect on the Russell 2000® Index total capitalization. Shares are updated for the acquiring stock at the time the transaction is final. If the acquiring company is a member of the Russell 2000® Index, but the acquired company is not, the shares for the acquiring stock are adjusted at month-end. If the acquiring company is not a member of any of the Russell Indexes, there are two possibilities:

    - Reverse Merger – If the acquiring company is a private, non-publicly traded company or OTC company, Russell will review the action to determine if it is considered a reverse merger, defined as a transaction that results in a publicly traded company that meets all requirements for inclusion in a Russell Index. If it is determined that an action is a reverse merger, the newly formed entity will be placed in the appropriate market capitalization index after the close of the day following the completion of the merger. The acquired company will be removed from the current index simultaneously.

    - Standard Action – The acquired company is deleted after the action is final.

- De-listed Stocks – When stocks from the Russell 2000® Index are deleted as a result of exchange de-listing or reconstitution, the price used will be the closing primary exchange price on the day of deletion, or the following day using the closing OTC bulletin board price. However, there may be corporate events, such as mergers or acquisitions, that result in the lack of current market price for the deleted security and in such an instance the latest primary exchange closing price available will be used.

- Rule for Re-Classification and Re-Incorporation – For re-classification of shares, adjustments will be made at the open of the ex-date using previous day closing prices. For re-incorporations, deleted entities will be removed either after the close of the current day using the last traded price, if the re-incorporation achieves final status prior to 2:00 p.m. Eastern Standard Time, or after the close of the following day at the last traded price, if the re-incorporation achieves final status after 2:00 p.m. Eastern Standard Time.

Updates to Share Capital Affecting the Russell 2000® Index. Each month, the Russell 2000® Index is updated for changes to shares outstanding as companies report changes in share capital to the SEC. Effective April 30, 2002, only cumulative changes to shares outstanding greater than 5% are reflected in the Russell 2000® Index. This does not affect treatment of major corporate events, which are effective on the ex-date.

Pricing of Securities Included in the Russell 2000® Index. Effective on January 1, 2002, primary exchange closing prices are used in the daily Russell 2000® Index calculations. FT Interactive data is used as the primary source for U.S. security prices, income, and total shares outstanding. Prior to January 1, 2002, composite closing prices, which are the last trade price on any U.S. exchange, were used in the daily Russell 2000® Index calculations.

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Discontinuation of the Russell 2000® Index; Alteration of Method of Calculation

If Frank Russell Company discontinues publication of the Russell 2000® Index and Frank Russell Company or another entity publishes a successor or substitute index that the calculation agent determines, in its sole discretion, to be comparable to the discontinued Index (such index being referred to herein as a "**Russell successor index**"), then any Russell 2000® Index Closing Level will be determined by reference to the level of such Russell successor index at the close of trading on the NYSE, the AMEX, the NASDAQ Stock Market or the relevant exchange or market for the Russell successor index on the relevant Final Valuation Date(s), any Trading Day during the Observation Period or other relevant date or dates as set forth in the relevant term sheet.

If Frank Russell Company discontinues publication of the Russell 2000® Index prior to, and such discontinuation is continuing on, an Final Valuation Date or other relevant date as set forth in the relevant term sheet, and the calculation agent determines, in its sole discretion, that no successor index is available at such time, or the calculation agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on, such Final Valuation Date or other relevant date, then the calculation agent will determine the Russell 2000® Index Closing Level for such date. The Russell 2000® Index Closing Level for such date will be computed by the calculation agent in accordance with the formula for and method of calculating the Russell 2000® Index or Russell successor index, as applicable, last in effect prior to such discontinuation, using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, its good faith estimate of the closing price that would have prevailed but for such suspension or limitation) at the close of the principal trading session on such date of each security most recently composing the Russell 2000® Index or Russell successor index, as applicable. Notwithstanding these alternative arrangements, discontinuation of the publication of the Russell 2000® Index may adversely affect the value of the CDs.

If at any time the method of calculating the Russell 2000® Index or a Russell successor index, or the level thereof, is changed in a material respect, or if the Russell 2000® Index or a Russell successor index is in any other way modified so that the Russell 2000® Index or such Russell successor index does not, in the opinion of the calculation agent, fairly represent the level of the Russell 2000® Index or such Russell successor index had such changes or modifications not been made, then the calculation agent will, at the close of business in New York City on each date on which the Russell 2000® Index Closing Level is to be determined, make such calculations and adjustments as, in the good faith judgment of the calculation agent, may be necessary in order to arrive at a level of a stock index comparable to the Russell 2000® Index or such Russell successor index, as the case may be, as if such changes or modifications had not been made, and the calculation agent will calculate the Russell 2000® Index Closing Level with reference to the Russell 2000® Index or such Russell successor index, as adjusted. Accordingly, if the method of calculating the Russell 2000® Index or a Russell successor index is modified so that the level of the Russell 2000® Index or such Russell successor index is a fraction of what it would have been if there had been no such modification (*e.g.*, due to a split in the Russell 2000® Index), then the calculation agent will adjust its calculation of the Russell 2000® Index or such Russell successor index in order to arrive at a level of the Russell 2000® Index or such Russell successor index as if there had been no such modification (*e.g.*, as if such split had not occurred).

THE NASDAQ 100® INDEX

All disclosure contained in this disclosure statement regarding the NASDAQ 100® Index, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by The Nasdaq Stock Market, Inc. ("Nasdaq"). The NASDAQ-100 Index® was developed by Nasdaq and is calculated, maintained and published by Nasdaq. We make no representation or warranty as to the accuracy or completeness of such information. Nasdaq has no obligation to continue to publish, and may discontinue publication of, the NASDAQ-100 Index®.

General

The NASDAQ-100 Index® is a modified market capitalization-weighted index of 100 of the largest stocks of non-financial companies listed on The Nasdaq Global Market tier of The NASDAQ Stock Market. The NASDAQ-100 Index®, which includes companies across a variety of major industry groups, was launched on January 31, 1985, with a base index value of 250.00. On January 1, 1994, the base index value was reset to 125.00. Current information regarding the market value of the NASDAQ-100 Index® is available from Nasdaq as well as numerous market information services.

The NASDAQ-100 Index® share weights of the component securities of the NASDAQ-100 Index® at any time are based upon the total shares outstanding in each of those securities and are additionally subject, in certain cases, to rebalancing. Accordingly, each underlying stock's influence on the level of the NASDAQ- 100 Index® is directly proportional to the value of its NASDAQ-100 Index® share weight.

Calculation of the NASDAQ-100 Index®

At any moment in time, the value of the NASDAQ-100 Index® equals the aggregate value of the then-current NASDAQ-100 Index® share weights of each of the NASDAQ-100 Index® component securities, which are based on the total shares outstanding of each such NASDAQ-100 Index® component security, multiplied by each such security's respective last sale price on The NASDAQ Stock Market (which may be the official closing price published by The NASDAQ Stock Market), and divided by a scaling factor (the "divisor"), which becomes the basis for the reported NASDAQ-100 Index® value. The divisor serves the purpose of scaling such aggregate value (otherwise in the trillions) to a lower order of magnitude which is more desirable for NASDAQ-100 Index® reporting purposes.

Underlying Stock Eligibility Criteria and Annual Ranking Review

Initial Eligibility Criteria

To be eligible for initial inclusion in the NASDAQ 100® Index, a security must be listed on the Nasdaq and meet the following criteria:

- the security's U.S. listing must be exclusively on the NASDAQ Global Select Market or the NASDAQ Global Market (unless the security was dually listed on another U.S. market prior to January 1, 2004 and has continuously maintained that listing);
- the security must be of a non-financial company;
- the security may not be issued by an issuer currently in bankruptcy proceedings;
- the security must have an average daily trading volume of at least 200,000 shares;
- if the security is of a foreign issuer (a foreign issuer is determined based on its country of incorporation), it must have listed options on a recognized market in the United States or be eligible for listed-options trading on a recognized options market in the United States;

- only one class of security per issuer is allowed;
- the issuer of the security may not have entered into a definitive agreement or other arrangement which would likely result in the security no longer being NASDAQ 100® Index eligible;
- the issuer of the security may not have annual financial statements with an audit opinion that is currently withdrawn;
- the security must have "seasoned" on the NASDAQ Stock Market or another recognized market (generally, a company is considered to be seasoned if it has been listed on a market for at least two years; in the case of spin-offs, the operating history of the spin-off will be considered); and
- if the security would otherwise qualify to be in the top 25% of the securities included in the NASDAQ 100® Index by market capitalization for the six prior consecutive month ends, then a one-year "seasoning" criterion would apply.

Continued Eligibility Criteria

In addition, to be eligible for continued inclusion in the NASDAQ 100® Index the following criteria apply:

- the security's U.S. listing must be exclusively on the NASDAQ Global Select Market or the NASDAQ Global Market (unless the security was dually listed on another U.S. market prior to January 1, 2004 and has continuously maintained that listing);
- the security must be of a non-financial company;
- the security may not be issued by an issuer currently in bankruptcy proceedings;
- the security must have an average daily trading volume of at least 200,000 shares as measured annually during the ranking review process described below;
- if the security is of a foreign issuer, it must have listed options on a recognized market in the United States or be eligible for listed options trading on a recognized options market in the United States, as measured annually during the ranking review process;
- the security must have an adjusted market capitalization equal to or exceeding 0.10% of the aggregate adjusted market capitalization of the NASDAQ 100® Index at each month end. In the event a company does not meet this criterion for two consecutive month ends, it will be removed from the NASDAQ 100® Index effective after the close of trading on the third Friday of the following month; and
- the issuer of the security may not have annual financial statements with an audit opinion that is currently withdrawn.

These NASDAQ 100® Index eligibility criteria may be revised from time to time by the Nasdaq without regard to the CDs.

Annual Ranking Review

The NASDAQ-100 Index® securities are evaluated on an annual basis, except under extraordinary circumstances which may result in an interim evaluation, as follows (this evaluation is referred to herein as the "Ranking Review"). Securities listed on The NASDAQ Stock Market which meet the applicable eligibility criteria are ranked by market value. NASDAQ-100 Index®-eligible securities which are already in the NASDAQ-100 Index® and which are ranked in the top 100 eligible securities (based on market capitalization) are retained in the NASDAQ-100 Index®. A security that is ranked 101 to 125 is also retained, provided that such security was ranked in the top 100 eligible securities as of the previous Ranking Review. Securities not meeting such criteria are replaced. The replacement securities chosen are those NASDAQ-100 Index®-eligible securities not currently in the NASDAQ-100 Index® that have the largest market capitalization. The data used in the ranking includes end of October market data from The NASDAQ Stock Market and is updated for total shares outstanding submitted in a publicly filed SEC document via EDGAR through the end of November.

Generally, the list of annual additions and deletions is publicly announced via a press release in the early part of December. Replacements are made effective after the close of trading on the third Friday in December. Moreover, if at any time during the year, a NASDAQ-100 Index® security is determined by Nasdaq to become ineligible for continued inclusion in the NASDAQ-100 Index®, the security will be replaced with the largest market capitalization security not currently in the NASDAQ-100 Index® and meeting the NASDAQ-100 Index® eligibility criteria listed above.

Index Maintenance

In addition to the Ranking Review, the securities in the NASDAQ-100 Index® are monitored every day by Nasdaq with respect to changes in total shares outstanding arising from secondary offerings, stock repurchases, conversions or other corporate actions. Nasdaq has adopted the following quarterly scheduled weight adjustment procedures with respect to those changes. If the change in total shares outstanding arising from a corporate action is greater than or equal to 5.0%, that change will be made to the NASDAQ-100 Index® as soon as practical, normally within ten days of such corporate action. Otherwise, if the change in total shares outstanding is less than 5.0%, then all those changes are accumulated and made effective at one time on a quarterly basis after the close of trading on the third Friday in each of March, June, September and December. In either case, the NASDAQ-100 Index® share weights for those underlying stocks are adjusted by the same percentage amount by which the total shares outstanding have changed in those NASDAQ-100 Index® securities. Ordinarily, whenever there is a change in the NASDAQ-100 Index® share weights, a change in a component security included in the NASDAQ-100 Index®, or a change to the price of a component security due to spin-off, rights issuances or special cash dividends, Nasdaq adjusts the divisor to ensure that there is no discontinuity in the level of the NASDAQ-100 Index® which might otherwise be caused by any of those changes. All changes will be announced in advance and will be reflected in the NASDAQ-100 Index® prior to market open on the effective date of such changes.

Rebalancing of the NASDAQ 100® Index

The NASDAQ 100® Index is calculated under a "modified capitalization-weighted" methodology, which is a hybrid between equal weighting and conventional capitalization weighting. This methodology is expected to: (1) retain in general the economic attributes of capitalization weighting; (2) promote portfolio weight diversification (thereby limiting domination of the NASDAQ 100® Index by a few large stocks); (3) reduce NASDAQ 100® Index performance distortion by preserving the capitalization ranking of companies; and (4) reduce market impact on the smallest NASDAQ 100® Index securities from necessary weight rebalancings.

Under the methodology employed, on a quarterly basis coinciding with the Nasdaq's quarterly scheduled weight adjustment procedures, the NASDAQ 100® Index securities are categorized as either "Large Stocks" or "Small Stocks" depending on whether their current percentage weights (after taking into account scheduled weight adjustments due to stock repurchases, secondary offerings or other corporate actions) are greater than, or less than or equal to, the average percentage weight in the NASDAQ 100® Index (*i.e.*, as a 100-stock index, the average percentage weight in the NASDAQ 100® Index is 1.0%).

This quarterly examination will result in a NASDAQ 100® Index rebalancing if either one or both of the following two weight distribution requirements are not met: (1) the current weight of the single largest market capitalization Index security must be less than or equal to 24.0% and (2) the “collective weight” of those Index securities whose individual current weights are in excess of 4.5%, when added together, must be less than or equal to 48.0%. In addition, the Nasdaq may conduct a special rebalancing if it is determined necessary to maintain the integrity of the Index.

If either one or both of these weight distribution requirements are not met upon quarterly review, or the Nasdaq determines that a special rebalancing is required, a weight rebalancing will be performed. First, relating to weight distribution requirement (1) above, if the current weight of the single largest Index security exceeds 24.0%, then the weights of all Large Stocks will be scaled down proportionately towards 1.0% by enough for the adjusted weight of the single largest Index security to be set to 20.0%. Second, relating to weight distribution requirement (2) above, for those Index securities whose individual current weights or adjusted weights in accordance with the preceding step are in excess of 4.5%, if their “collective weight” exceeds 48.0%, then the weights of all Large Stocks will be scaled down proportionately towards 1.0% by just enough for the “collective weight”, so adjusted, to be set to 40.0%.

The aggregate weight reduction among the Large Stocks resulting from either or both of the above rescalings will then be redistributed to the Small Stocks in the following iterative manner. In the first iteration, the weight of the largest Small Stock will be scaled upwards by a factor which sets it equal to the average Index weight of 1.0%. The weights of each of the smaller remaining Small Stocks will be scaled up by the same factor reduced in relation to each stock’s relative ranking among the Small Stocks such that the smaller the Index security in the ranking, the less the scale-up of its weight. This is intended to reduce the market impact of the weight rebalancing on the smallest component securities in the NASDAQ 100® Index.

In the second iteration, the weight of the second largest Small Stock, already adjusted in the first iteration, will be scaled upwards by a factor which sets it equal to the average index weight of 1.0%. The weights of each of the smaller remaining Small Stocks will be scaled up by this same factor reduced in relation to each stock’s relative ranking among the Small Stocks such that, once again, the smaller the stock in the ranking, the less the scale-up of its weight.

Additional iterations will be performed until the accumulated increase in weight among the Small Stocks exactly equals the aggregate weight reduction among the Large Stocks from rebalancing in accordance with weight distribution requirement (1) and/or weight distribution requirement (2).

Then, to complete the rebalancing procedure, once the final percent weights of each of the NASDAQ 100® Index securities are set, the Index share weights will be determined anew based upon the last sale prices and aggregate capitalization of the Index at the close of trading on the Thursday in the week immediately preceding the week of the third Friday in March, June, September and December. Changes to the Index share weights will be made effective after the close of trading on the third Friday in March, June, September and December and an adjustment to the Index divisor will be made to ensure continuity of the NASDAQ 100® Index.

Ordinarily, new rebalanced weights will be determined by applying the above procedures to the current Index share weights. However, the Nasdaq may from time to time determine rebalanced weights, if necessary, by instead applying the above procedure to the actual current market capitalization of the Index components. In those instances, the Nasdaq would announce the different basis for rebalancing prior to its implementation.

License Agreement

Nasdaq and J.P. Morgan Securities Inc. have entered into a non-exclusive license agreement providing for the license to J.P. Morgan Securities Inc., in exchange for a fee, of the right to use the NASDAQ 100® Index in connection with certain securities, including the CDs.

The license agreement between Nasdaq and J.P. Morgan Securities Inc. provides that the following language must be stated in this disclosure statement:

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THE CORPORATIONS DO NOT GUARANTEE THE ACCURACY AND/OR UNINTERRUPTED CALCULATION OF THE NASDAQ 100® INDEX OR ANY DATA INCLUDED THEREIN. THE CORPORATIONS MAKE NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY J.P. MORGAN SECURITIES INC., OWNERS OF THE CDS, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE NASDAQ 100® INDEX OR ANY DATA INCLUDED THEREIN. THE CORPORATIONS MAKE NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIM ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE NASDAQ 100® INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL THE CORPORATIONS HAVE ANY LIABILITY FOR ANY LOST PROFITS OR SPECIAL, INCIDENTAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES, EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES."

Discontinuation of the NASDAQ 100® Index; Alteration of Method of Calculation

If Nasdaq discontinues publication of the NASDAQ 100® Index and Nasdaq or another entity publishes a successor or substitute index that the calculation agent determines, in its sole discretion, to be comparable to the discontinued NASDAQ 100® Index (such index being referred to herein as a "NASDAQ 100 successor index"), then any NASDAQ 100® Index Closing Level will be determined by reference to the level of such NASDAQ 100 successor index at the close of trading on the NYSE, the AMEX, the NASDAQ Stock Market or the relevant exchange or market for the NASDAQ 100 successor index on the relevant Final Valuation Date(s) or other relevant date or dates as set forth in the relevant term sheet.

If Nasdaq discontinues publication of the NASDAQ 100® Index prior to, and such discontinuation is continuing on an Final Valuation Date or other relevant date as set forth in the relevant term sheet, and the calculation agent determines, in its sole discretion, that no NASDAQ 100 successor index is available at such time, or the calculation agent has previously selected a NASDAQ 100 successor index and publication of such NASDAQ 100 successor index is discontinued prior to, and such discontinuation is continuing on, such Final Valuation Date or other relevant date, then the calculation agent will determine the NASDAQ 100® Index Closing Level for such date. The NASDAQ 100® Index Closing Level will be computed by the calculation agent in accordance with the formula for and the method of calculating the NASDAQ 100® Index or NASDAQ 100® successor index, as applicable, last in effect prior to such discontinuation, using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, its good faith estimate of the closing price that would have prevailed but for such suspension or limitation) at the close of the principal trading session on such date of each security most recently composing the NASDAQ 100® Index or NASDAQ 100® successor index, as applicable,. Notwithstanding these alternative arrangements, discontinuation of the publication of the NASDAQ 100® Index on the relevant exchange may adversely affect the value of the CDs.

If at any time the method of calculating the NASDAQ 100® Index or a NASDAQ 100 successor index, or the level thereof, is changed in a material respect, or if the NASDAQ 100® Index or a NASDAQ 100 successor index is in any other way modified so that the NASDAQ 100® Index or such NASDAQ 100 successor index does not, in the opinion of the calculation agent, fairly represent the level of the NASDAQ 100® Index or such NASDAQ 100 successor index had such changes or modifications not been made, then the calculation agent will, at the close of business in New York City on each date on which the NASDAQ 100® Index Closing Level is to be determined, make such calculations and adjustments as, in the good faith judgment of the calculation agent, may be necessary in order to arrive at a level of a stock index comparable to the NASDAQ 100® Index or such NASDAQ 100 successor index, as the case may be, as if such changes or modifications had not been made, and the calculation agent will calculate the NASDAQ 100® Index Closing Level with reference to the NASDAQ 100® Index or such NASDAQ 100 successor index, as adjusted. Accordingly, if the method of calculating the NASDAQ 100® Index or a NASDAQ 100 successor index is modified so that the level of the NASDAQ 100® Index or such NASDAQ 100 successor index is a fraction of what it would have been if there had been no such modification (*e.g.*, due to a split in the NASDAQ 100® Index), then the calculation agent will adjust its calculation of the NASDAQ 100® Index or such NASDAQ 100 successor index in order to arrive at a level of the NASDAQ 100® Index or such NASDAQ 100 successor index as if there had been no such modification (*e.g.*, as if such split had not occurred).

THE PHLX HOUSING SECTOR℠ INDEX

We have derived all information contained in this disclosure statement regarding the PHLX Housing Sector℠ Index, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by, the Philadelphia Stock Exchange, Inc. (the "**PHLX**"). The PHLX Housing Sector℠ Index was developed by the PHLX and is calculated, maintained and published by the PHLX. We make no representation or warranty as to the accuracy or completeness of such information.

The PHLX Housing Sector℠ Index is designed to measure the performance of twenty companies whose primary lines of business are directly associated with the United States housing construction market (the "**PHLX Component Stocks**"). Currently, the PHLX Housing Sector℠ Index composition includes residential builders, suppliers of aggregate, lumber and other construction materials, manufactured housing and mortgage insurers. The PHLX Housing Sector℠ Index (index symbol "HGXSM") is published by the PHLX and was set to an initial value of 250 on January 2, 2002. Options commenced trading on the PHLX Housing Sector℠ Index on July 12, 2002. The PHLX Housing Sector℠ Index is a modified capitalization-weighted index, which is intended to maintain as closely as possible the proportional capitalization distribution of the portfolio of stocks included in the PHLX Housing Sector℠ Index, while limiting the maximum weight of a single stock or group of stocks to a predetermined maximum (normally 25% for a single stock, and 50% to 60% or more for the top five or an aggregation of all stocks weighing 5% or more). This rebalancing is accomplished by occasionally artificially reducing the capitalization of higher weighted stocks and redistributing the weight to lower weighted stocks. The net result is a weight distribution that is less skewed toward the larger stocks, but that still does not approach equal weighting. The total capitalization of the portfolio remains the same. A current list of the issuers that constitute the PHLX Housing Sector℠ Index is available on the PHLX website: www.phlx.com. Information contained in the PHLX website is not incorporated by reference in, and should not be considered a part of, this disclosure statement or any term sheet.

The PHLX Housing Sector℠ Index is rebalanced at least semi-annually for implementation at the end of each January and July option expiration if the modified capitalization of a single PHLX Component Stock or group of PHLX Component Stocks exceeds the concentration thresholds discussed above as of the last Trading Day of the previous month. This rebalancing is based on the actual market capitalizations of the PHLX Component Stocks as determined by actual share amounts and closing prices on the last Trading Day of the previous month. The modified share value for each PHLX Component Stock comprising the PHLX Housing Sector℠ Index remains fixed between rebalancings, except in the event of certain types of corporate actions such as stock splits, mergers, acquisitions, stock repurchases or any similar event with respect to a PHLX Component Stock resulting in a change in share value greater than 5% or more. When the PHLX Housing Sector℠ Index is adjusted between rebalancings for these events, the modified share amount of the relevant PHLX Component Stock included in the PHLX Housing Sector℠ Index is adjusted, to the nearest whole share, to maintain the PHLX Component Stock's relative weight in the PHLX Housing Sector℠ Index immediately prior to the corporate action. In connection with any adjustments to the PHLX Housing Sector℠ Index, the PHLX Housing Sector℠ Index divisor may be adjusted to ensure that there are no changes to the level of the PHLX Housing Sector℠ Index as a result of non-market forces.

The PHLX is under no obligation to continue the calculation and dissemination of the PHLX Housing Sector℠ Index.

None of JPMorgan Chase & Co., the calculation agent and JPMSI accepts any responsibility for the calculation, maintenance or publication of the PHLX Housing Sector℠ Index or any successor index thereto.

License Agreement

The PHLX and JPMorgan Chase Bank, N.A. have entered into a non-exclusive license agreement providing for the license to JPMorgan Chase Bank, N.A. and its affiliates, in exchange for a fee, of the right to use the PHLX Housing Sector^{SM} Index, which is owned and published by the PHLX, in connection with certain securities, including the CDs.

The license agreement between the PHLX and JPMorgan Chase Bank, N.A. provides that the following language must be stated in this disclosure statement:

"The CDs are not sponsored, endorsed, sold or promoted by the PHLX. The PHLX makes no representation or warranty, express or implied, to the owners of the CDs or any member of the public regarding the advisability of investing in securities generally or in the CDs particularly or the ability of the PHLX Housing Sector^{SM} Index to track market performance. The PHLX's only relationship to JPMorgan Chase Bank, N.A. is the licensing of certain names and marks and of the PHLX Housing Sector^{SM} Index, which is determined, composed and calculated without regard to JPMorgan Chase Bank, N.A. The PHLX has no obligation to take the needs of JPMorgan Chase Bank, N.A. or the owners of the CDs into consideration in determining, composing or calculating the PHLX Housing Sector^{SM} Index. The PHLX is not responsible for and has not participated in any determination or calculation made with respect to the issuance or redemption of the CDs. The PHLX has no obligation or liability in connection with the administration, purchase, sale, marketing, promotion or trading of the CDs.

THE PHLX DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE PHLX HOUSING SECTOR^{SM} INDEX OR ANY DATA INCLUDED THEREIN. THE PHLX MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY JPMORGAN CHASE BANK, N.A., OWNERS OF THE CDS, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE PHLX HOUSING SECTOR^{SM} INDEX OR ANY DATA INCLUDED THEREIN IN CONNECTION WITH THE RIGHTS LICENSED HEREUNDER OR FOR ANY OTHER USE. THE PHLX MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND HEREBY EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE PHLX HOUSING SECTOR^{SM} INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL THE PHLX HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES."

"PHLX Housing Sector^{SM} Index" and "HGXSM" are service marks of the PHLX. The PHLX has no relationship to us other than the licensing of the PHLX Housing Sector^{SM} Index and its service marks for use in connection with the CDs.

Discontinuation of the PHLX Housing Sector^{SM} Index; Alteration of Method of Calculation

If the PHLX discontinues publication of the PHLX Housing Sector^{SM} Index and the PHLX or another entity publishes a successor or substitute index that the calculation agent determines, in its sole discretion, to be comparable to the discontinued PHLX Housing Sector^{SM} Index (such index being referred to herein as a "**PHLX successor index**"), then any PHLX Housing Sector^{SM} Index closing level will be determined by reference to the level of such PHLX successor index at the close of trading on the PHLX, the NYSE, the AMEX, the NASDAQ Stock Market or the relevant exchange or market for the PHLX successor index on the relevant Final Valuation Date(s) or other relevant date or dates as set forth in the relevant term sheet.

If the PHLX discontinues publication of the PHLX Housing Sector^{SM} Index prior to, and such discontinuation is continuing on, an Final Valuation Date or other relevant date as set forth in the relevant term sheet, and the calculation agent determines, in its sole discretion, that no PHLX successor index is available at such time, or the calculation agent has previously selected a PHLX successor index and publication of such PHLX successor index is discontinued prior to, and such discontinuation is continuing on, such Final Valuation Date or other relevant date, then the calculation agent will determine the PHLX Housing Sector^{SM} Index closing level for such date. The PHLX Housing Sector^{SM} Index closing level will be computed by the calculation agent in accordance with the formula for and method of calculating the PHLX Housing Sector^{SM} Index or PHLX successor index, as applicable, last in effect prior to such discontinuation, using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, its good faith estimate of the closing price that would have prevailed but for such suspension or limitation) at the close of the principal trading session on such date of each security most recently composing the PHLX Housing Sector℠ Index or PHLX successor index, as applicable. Notwithstanding these alternative arrangements, discontinuation of the publication of the PHLX Housing Sector℠ Index may adversely affect the value of the CDs.

If at any time the method of calculating the PHLX Housing Sector℠ Index or a PHLX successor index, or the level thereof, is changed in a material respect, or if the PHLX Housing Sector℠ Index or a PHLX successor index is in any other way modified so that the PHLX Housing Sector℠ Index or such PHLX successor index does not, in the opinion of the calculation agent, fairly represent the level of the PHLX Housing Sector℠ Index or such PHLX successor index had such changes or modifications not been made, then, from and after such time, the calculation agent will, at the close of business in New York City on each date on which the PHLX Housing Sector℠ Index closing level is to be determined, make such calculations and adjustments as, in the good faith judgment of the calculation agent, may be necessary in order to arrive at a level of a stock index comparable to the PHLX Housing Sector℠ Index or such PHLX successor index, as the case may be, as if such changes or modifications had not been made, and the calculation agent will calculate the PHLX Housing Sector℠ Index closing level with reference to the PHLX Housing Sector℠ Index or such PHLX successor index, as adjusted. Accordingly, if the method of calculating the PHLX Housing Sector℠ Index or a PHLX successor index is modified so that the level of the PHLX Housing Sector℠ Index or such PHLX successor index is a fraction of what it would have been if there had been no such modification (*e.g.*, due to a split in the PHLX Housing Sector℠ Index), then the calculation agent will adjust its calculation of the PHLX Housing Sector℠ Index or such successor index in order to arrive at a level of the PHLX Housing Sector℠ Index or such PHLX successor index as if there had been no such modification (*e.g.*, as if such split had not occurred).

THE DOW JONES INDUSTRIAL AVERAGE^{SM}

We have derived all information contained in this Disclosure Statement regarding the Index, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by, Dow Jones. The Index was developed by Dow Jones and is calculated, maintained and published by Dow Jones. We make no representation or warranty as to the accuracy or completeness of such information.

The Index was introduced to the investing public by Charles Dow on May 26, 1896 and originally was comprised of only 12 stocks. It has since become one of the most well known and widely followed indicators of the U.S. stock market and is the oldest continuing stock market index in the world. The Index is comprised of 30 common stocks chosen by the editors of The Wall Street Journal as representative of the broad market of U.S. industry. Many of the companies represented in the Index are household names and leaders in their respective industries, and their stocks are widely held by both individual and institutional investors. Because the Index is so well known and its performance is generally perceived to reflect that of the overall domestic equity market, it is often used as a benchmark for investments in equities, mutual funds, and other asset classes. The Index accounts for approximately 23.8% of the total U.S. market, as measured by the Dow Jones Wilshire 5000 Index, as of December 13, 2005.

The Index is a price-weighted index rather than market capitalization-weighted index. In essence, the Index consists of one share of each of the 30 stocks included in the Index. Thus, the weightings of the components of the Index are affected only by changes in their prices, while the weightings of stocks in other indices are affected by price changes and changes in shares outstanding. This distinction stems from the fact that, when initially created, the Index was a simple average (hence the name), and was computed merely by adding up the prices of the stocks in the Index and dividing that sum by the total number of stocks in the Index. However, it eventually became clear that a method was needed to smooth out the effects of stock splits and composition changes to prevent these events from distorting the level of the Index. Therefore, a divisor was created that has been periodically adjusted over time. This divisor, when divided into the sum of the prices of the stocks in the Index, generates the number that is reported every day in newspapers, on television and radio, and over the Internet. With the incorporation of the divisor, the Index can no longer be considered an average.

The editors of *The Wall Street Journal*, which is published by Dow Jones, select the components of the Index. Periodically, the editors review and make changes to the composition of the Index. In selecting a company's stock to be included in the Index, the editors look for a leading industrial company with a successful history of growth and a wide interest among investors. **The inclusion of any particular company in the Index does not constitute a prediction as to the company's future results of operations or stock market performance.** For the sake of continuity, composition changes are rare, and generally have occurred only after corporate acquisitions or other dramatic shifts in a company's core business. When the editors of The Wall Street Journal determine that a component stock needs to be changed, they also review the other stocks in the Index to confirm their continued presence.

License Agreement between Dow Jones and J.P. Morgan Securities Inc.

Dow Jones and J.P. Morgan Securities Inc. have entered into a non-exclusive license agreement providing for the sub-license to us, and certain of our affiliated or subsidiary companies, in exchange for a fee, of the right to use the Index, which is owned and published by Dow Jones, in connection with certain securities, including the CDs.

The CDs are not sponsored, endorsed, sold or promoted by Dow Jones. Dow Jones makes no representation or warranty, express or implied, to the owners of the CDs or any member of the public regarding the advisability of investing in securities generally or in the CDs particularly. Dow Jones's only relationship to JPMorgan Chase & Co. is in the licensing of certain trademarks and trade names of Dow Jones and of the Dow Jones Industrial Average^{SM} which is determined, composed and calculated by Dow Jones without regard to JPMorgan Chase & Co. or the CDs. Dow Jones has no obligation to take the needs of JPMorgan Chase & Co. or the owners of the CDs into consideration in determining, composing or calculating the Index. Dow Jones is not responsible for and has not participated in the determination of the timing, prices, or quantities of the CDs to be issued or in the determination or calculation of the equation by which the CDs are to be converted into cash. Dow Jones has no obligation or liability in connection with the administration, marketing or trading of the CDs.

DOW JONES DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE DOW JONES INDUSTRIAL AVERAGE^{SM} OR ANY DATA INCLUDED THEREIN AND DOW JONES SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS THEREIN. DOW JONES MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY JPMORGAN CHASE & CO., OWNERS OF THE CDS, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE DOW JONES INDUSTRIAL AVERAGE^{SM} OR ANY DATA INCLUDED THEREIN. DOW JONES MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES, OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE DOW JONES INDUSTRIAL AVERAGE^{SM} OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL DOW JONES HAVE ANY LIABILITY FOR ANY LOST PROFITS OR INDIRECT, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES. THERE ARE NO THIRD PARTY BENEFICIARIES OF ANY AGREEMENTS OR ARRANGEMENTS BETWEEN DOW JONES AND JPMORGAN CHASE & CO.

Discontinuation of the Dow Jones Industrial Average^{SM}; Alteration of Method of Calculation

If Dow Jones discontinues publication of the Index and Dow Jones or another entity publishes a successor or substitute index that the calculation agent determines, in its sole discretion, to be comparable to the discontinued Index (such index being referred to herein as a "successor index"), then any Index closing level will be determined by reference to the level of such successor index at the close of trading on the NYSE, the AMEX, The NASDAQ Stock Market or the relevant exchange or market for the successor index on each relevant Index Valuation Date or other relevant date or dates as set forth in the applicable terms supplement.

Upon any selection by the calculation agent of a successor index, the calculation agent will cause written notice thereof to be promptly furnished to the trustee, to us and to the holders of the CDs.

If Dow Jones discontinues publication of the Index prior to, and such discontinuation is continuing on, an Index Valuation Date or other relevant date as set forth in the applicable terms supplement, and the calculation agent determines, in its sole discretion, that no successor index is available at such time, or the calculation agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on, such Index Valuation Date or other relevant date, then the calculation agent will determine the Index closing level for such date. The Index closing level will be computed by the calculation agent in accordance with the formula for and method of calculating the Index or successor index, as applicable, last in effect prior to such discontinuation, using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, its good faith estimate of the closing price that would have prevailed but for such suspension or limitation) at the close of the principal trading session on such date of each security most recently composing the Index or successor index, as applicable. Notwithstanding these alternative arrangements, discontinuation of the publication of the Index may adversely affect the value of the CDs.

If at any time the method of calculating the Index or a successor index, or the level thereof, is changed in a material respect, or if the Index or a successor index is in any other way modified so that the Index or such successor index does not, in the opinion of the calculation agent, fairly represent the level of the Index or such successor index had such changes or modifications not been made, then the calculation agent will, at the close of business in New York City on each date on which the Index closing level is to be determined, make such calculations and adjustments as, in the good faith judgment of the calculation agent, may be necessary in order to arrive at a level of a stock index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the calculation agent will calculate the Index closing level with reference to the Index or such successor index, as adjusted. Accordingly, if the method of calculating the Index or a successor index is modified so that the level of the Index or such successor index is a fraction of what it would have been if there had been no such modification (*e.g.*, due to a split in the Index), then the calculation agent will adjust its calculation of the Index or such successor index in order to arrive at a level of the Index or such successor index as if there had been no such modification (*e.g.*, as if such split had not occurred).

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In making your investment decision, you should rely only on the information contained or incorporated by reference in this disclosure statement and the accompanying term sheet. We have not authorized anyone to give you any additional or different information. The information in this disclosure statement and the accompanying term sheet may only be accurate on the date of the term sheet.

The CDs described in this disclosure statement and accompanying term sheet are not appropriate for all investors, and involve important legal and tax consequences and investment risks, which should be discussed with your professional advisers. You should be aware that the regulations of the National Association of Securities Dealers, Inc. and the laws of certain jurisdictions (including regulations and laws that require brokers to ensure that investments are suitable for their customers) may limit the availability of CDs. Neither this disclosure statement nor the accompanying term sheet constitutes an offer to sell or a solicitation of an offer to buy the CDs in any circumstances in which such offer or solicitation is unlawful.