SECURITIES LITIGATION & CONSULTING GROUP

Structured Products Research Report

Report Prepared On: 08/26/14

Structured Product Details

Name	PLUS linked to NIKKEI 225 Index
Issue Size	$2.53 million
Issue Price	$10
Term	13 Months
Annualized Coupon	0.00%
Pricing Date	February 28, 2014
Issue Date	March 5, 2014
Valuation Date	March 31, 2015
Maturity Date	April 6, 2015
Issuer	JPMorgan
CDS Rate	26.62 bps
Swap Rate	0.54%
Reference Asset	the NIKKEI 225 Index
Initial Level	14,841.07
Dividend Rate	1.50%
Implied Volatility	21.24%
Delta[1]	0.71
Fair Price at Issue	$9.51
CUSIP	48127E502
SEC Link	www.sec.gov/Archives/edgar/data/19617/000089109214001786/e57777_424b2.htm

Related Research

Research Papers:

www.slcg.com/research.php

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

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PLUS linked to NIKKEI 225 Index

Description

JPMorgan issued $2.53 million of PLUS linked to NIKKEI 225 Index on March 5, 2014 at $10 per note.

These notes are JPMorgan-branded PLUS securities that do not pay periodic coupons, but instead pay a single amount at maturity depending on the NIKKEI 225 Index level at maturity.

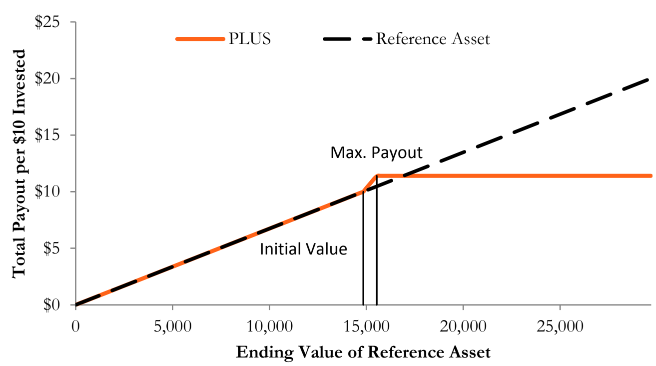
If the NIKKEI 225 Index level on March 31, 2015 is higher than 14,841.07, but lower than 15,533.65, the notes pay a return equal to the percentage increase in the NIKKEI 225 Index multiplied by 3.0. If on March 31, 2015 the NIKKEI 225 Index level is above the 15,533.65, the notes pay the maximum payout of $11.40. If on March 31, 2015 the NIKKEI 225 Index level is below 14,841.07, investors receive the face value per note reduced by the percentage decline in the reference asset. The notes will pay nothing at maturity if the reference asset declines to zero.

Valuation

This note can be valued as a combination of a note from JPMorgan, a short at-the-money put option, three long at-the-money call options, and three short out-of-the-money call options. The short at-the-money put option exposes investors to any decline in the NIKKEI 225 Index. The three short out-of-the-money call options has the strike price of 15,533.65, and limits the maximum return of the notes beyond the cap level. For reasonable valuation inputs this note was worth $9.51 when it was issued on March 5, 2014 because the value of the options investors gave JPMorgan plus the interest investors would have received on JPMorgan's straight debt was worth $0.49 more than the call options investors received from JPMorgan.

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

Payoff Curve at Maturity

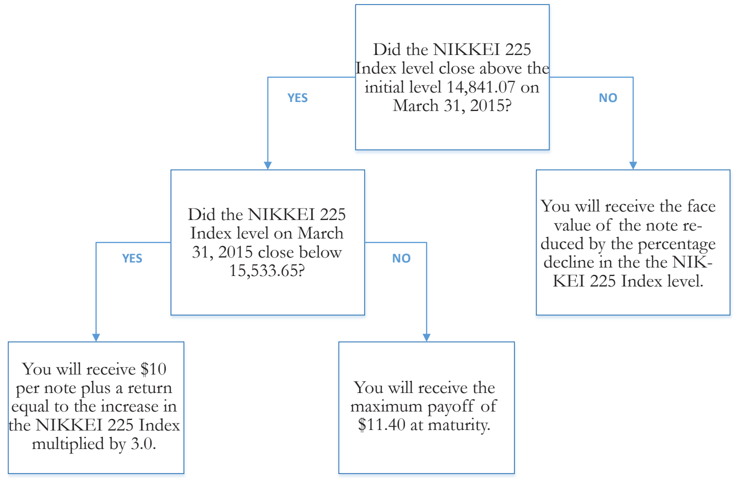


The payoff diagram shows the final payoff of this note given the NIKKEI 225 Index level (horizontal axis). For comparison, the dashed line shows the payoff if you invested in the NIKKEI 225 Index directly.

Principal Payback Table

The NIKKEI 225 Index	Note Payoff
0.00	$0.00
1,484.11	$1.00
2,968.21	$2.00
4,452.32	$3.00
5,936.43	$4.00
7,420.54	$5.00
8,904.64	$6.00
10,388.75	$7.00
11,872.86	$8.00
13,356.96	$9.00
14,841.07	**$10.00**
16,325.18	$11.40
17,809.28	$11.40
19,293.39	$11.40
20,777.50	$11.40
22,261.61	$11.40

Maturity Payoff Diagram

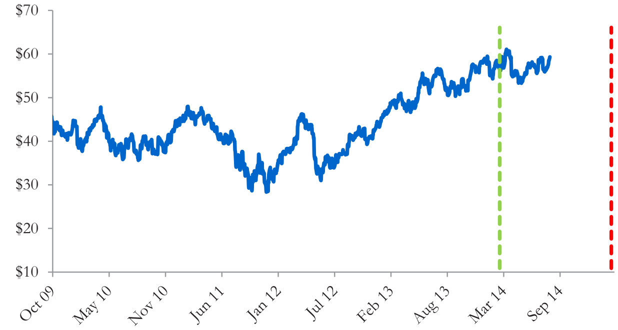


The contingent payoffs of this PLUS.

Analysis

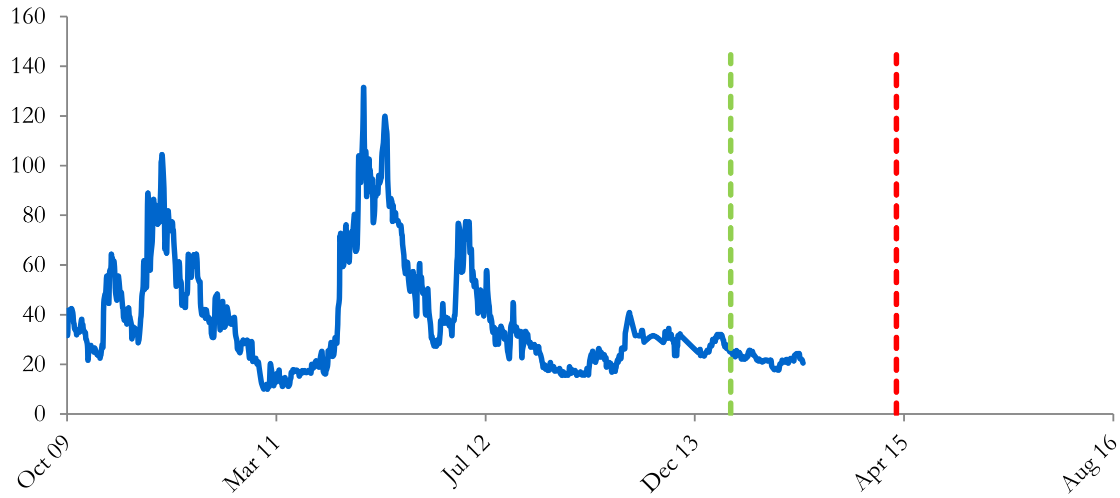
This PLUS pays investors the increase in the NIKKEI 225 Index multiplied by 3.0 capped at 14.00%, but if the NIKKEI 225 Index declines over the term of the note, investors will suffer losses equal to the percentage decline in the NIKKEI 225 Index. In addition, investors bear the credit risk of JPMorgan. Investors purchasing this PLUS effectively sell at-the-money put and out-of-the-money call options to JPMorgan, buy at-the-money call options, and a zero-coupon note from JPMorgan. This PLUS is fairly priced if and only if the market value of the options investors received from JPMorgan equals the market value of the options investors gave JPMorgan plus the interest investors would have received on JPMorgan's straight debt.

JPMorgan's Stock Price



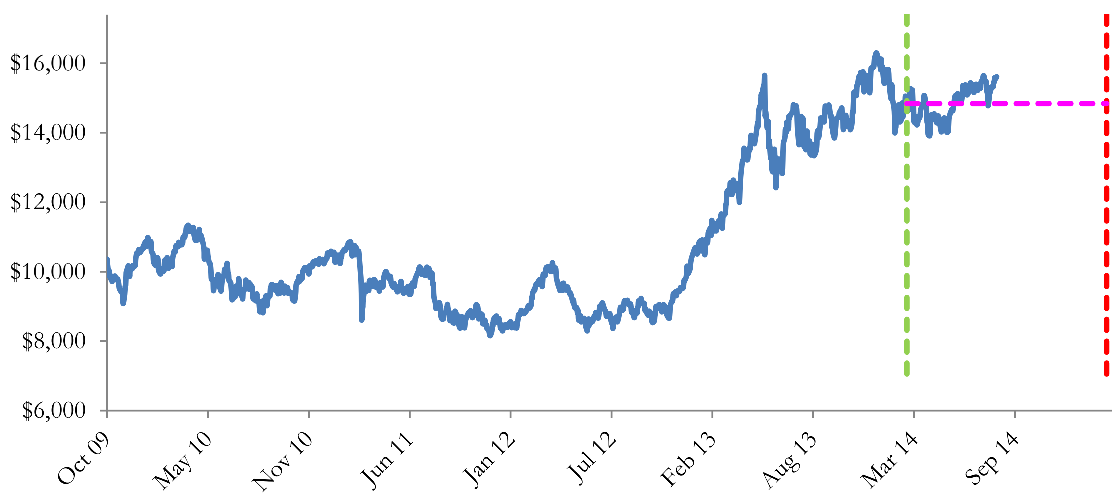
The graph above shows the adjusted closing price of the issuer JPMorgan for the past several years. The stock price of the issuer is an indication of the financial strength of JPMorgan. The adjusted price shown above incorporates any stock split, reverse stock split, etc.

JPMorgan's CDS Rate



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

The NIKKEI 225 Index Level

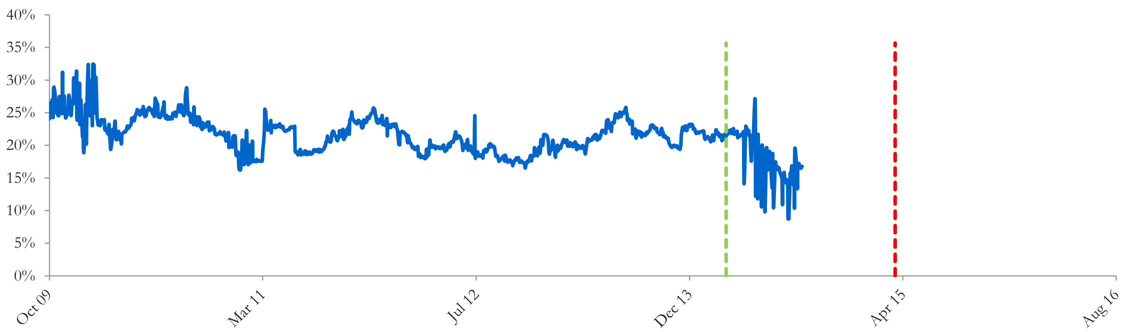


The graph above shows the historical levels of the NIKKEI 225 Index for the past several years. The final payoff of this note is determined by the NIKKEI 225 Index level at maturity. Higher fluctuations in the NIKKEI 225 Index level correspond to a greater uncertainty in the final payout of this PLUS.

Realized Payoff

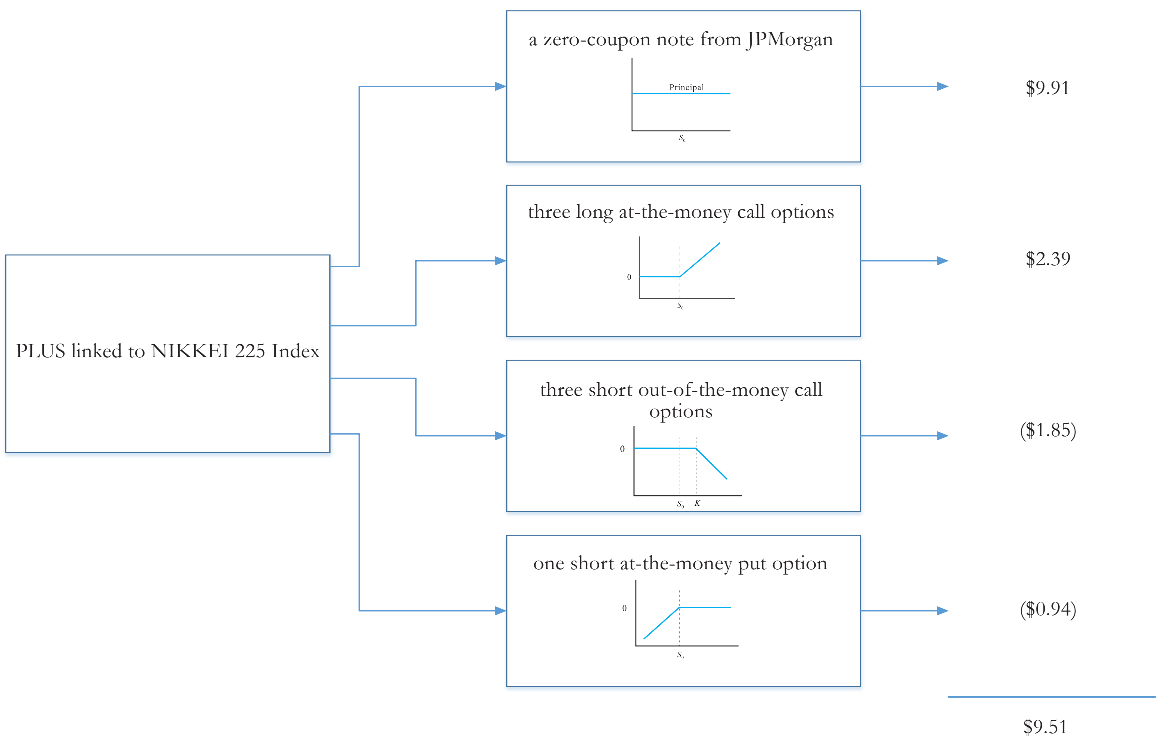
This product will mature on April 6, 2015.

Reference Asset The NIKKEI 225 Index's Implied Volatility



The annualized implied volatility of the NIKKEI 225 Index on February 28, 2014 was 21.24%, meaning that options contracts on the NIKKEI 225 Index were trading at prices that reflect an expected annual volatility of 21.24%. The higher the implied volatility, the larger the expected fluctuations of the NIKKEI 225 Index level and of the Note's market value during the life of the Notes.

Decomposition of this PLUS



This note can be decomposed into different components, and each component can be valued separately. The chart above shows the value of each component of this PLUS.

1. Delta measures the sensitivity of the price of the note to the the NIKKEI 225 Index level on February 28, 2014.
2. CDS rates can be considered a measure of the probability that an issuer will default over a certain period of time and the likely loss given a default. The lower the CDS rate, the lower the default probability. CDS rate is given in basis points (1 basis point equals 0.01%), and is considered as a market premium, on top of the risk-free rate, that investors require to insure against a potential default.
3. Fair price evaluation is based on the Black-Scholes model of the the NIKKEI 225 Index on February 28, 2014.
4. Calculated payout at maturity is only an approximation, and may differ from actual payouts at maturity.
5. Our evaluation does not include any transaction fees, broker commissions, or liquidity discounts on the notes.