BEAR STEARNS COMPANIES INC
Form 424B5
June 13, 2006

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This preliminary pricing supplement relates to an effective registration statement under the Securities Act of 1933, but is not complete and may be changed. This preliminary pricing supplement and the accompanying prospectus supplement and prospectus are not an offer to sell these or the solicitation of an offer to buy securities in any state where such an offer or sale would not be permitted.

Subject to Completion, dated June 13, 2006

PRICING SUPPLEMENT

(To Prospectus dated February 2, 2005 and
Prospectus Supplement dated February 2, 2005)

The Bear Stearns Companies Inc.

$[ ] Medium-Term Notes, Series B Linked to the Composite Performance of the SGX CNX Nifty Index Futures Contract, Due June [ ], 2009

The Notes are linked to the composite performance of the SGX CNX Nifty Index Futures Contract (meaning the settlement price of the SGX CNX Nifty Index Futures Contract divided by the USD/INR Exchange Rate, the result of such calculation, the "Composite Level") and are not principal protected. Your return on the Notes thus depends upon two independent variables: the settlement price of the SGX CNX Nifty Index Futures Contract on the Calculation Date (as defined below) and the USD/INR Exchange Rate on such date. The SGX CNX Nifty Index Futures Contract is a futures contract traded on the Singapore Exchange Limited that generally reflects the movements of the S&P CNX Nifty Index, which, in turn, tracks movements of certain securities traded on the National Stock Exchange of India Limited.

When we refer to Notes in this pricing supplement, we mean Notes with a principal amount of $1,000. On the Maturity Date, you will receive the Cash Settlement Value, an amount in cash that depends upon the relation of the Final Composite Level to the Initial Composite Level, which in turn depends on the performance of both the Underlying Index and the USD/INR Exchange Rate.

If the Final Composite Level is greater than or equal to the Initial Composite Level, then, on the Maturity Date, you will receive the Cash Settlement Value, an amount per Note in cash equal to the principal amount of the Notes, plus:

$$\$1{,}000 \times [125.00 - 135.00]\% \times \left(\frac{\text{Final Composite Level}}{\text{Initial Composite Level}} - 1\% \right).$$

If the Final Composite Level is less than the Initial Composite Level, you will receive less at maturity, and possibly significantly less, than the principal you invested. In this case, we will pay you, per Note:

$$\$1{,}000 \times \frac{\text{Final Composite Level}}{\text{Initial Composite Level}}.$$

The CUSIP number for the Notes is 073902Q63.

INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. THERE MAY NOT BE A SECONDARY MARKET IN THE NOTES, AND IF THERE WERE TO BE A SECONDARY MARKET, IT MAY NOT BE LIQUID. YOU SHOULD REFER TO "RISK FACTORS" BEGINNING ON PAGE PS-12.

"SPCNX Nifty® Index" is a trademark of India Index Services and Products Ltd. ("IISL"). "SGX" is a trademark of the Singapore Exchange Limited (the "SGX") and has been licensed for use for certain purposes by The Bear Stearns Companies Inc. The Notes are not sponsored, endorsed, sold or promoted by IISL, SGX or Standard & Poor's and none of the foregoing makes any representation regarding the advisability of investing in the Notes.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Notes or determined that this pricing supplement, or the accompanying prospectus supplement and prospectus, is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Note	Total
Initial public offering price[1]	[ ] %	$ [ ]
Agent's discount	[ ] %	$ [ ]
Proceeds, before expenses, to us	[ ] %	$ [ ]

1 Investors who purchase an aggregate principal amount of at least $1,000,000 of Notes will be entitled to purchase such Notes for 99.00% of the principal amount.

*Any additional reissuances will be offered at a price to be determined at the time of pricing of each offering of Notes, which will be a function of the prevailing market conditions and Composite Level at the time of the relevant sale.

We may grant the agents a 30-day option from the date of this pricing supplement to purchase from us up to an additional $[ ] of Notes at the public offering price to cover any over-allotments.

We expect that the Notes will be ready for delivery in book-entry form only through the book-entry facilities of The Depository Trust Company in New York, New York, on or about the Pricing Date, against payment in immediately available funds. The distribution of the Notes will conform to the requirements set forth in Rule 2720 of the National Association of Securities Dealers, Inc. Conduct Rules.

Bear, Stearns & Co. Inc.

June [ ], 2006

SUMMARY

This summary highlights selected information from the accompanying prospectus and prospectus supplement and this pricing supplement to help you understand the Notes linked to the SGX CNX Nifty Index Futures Contract. You should carefully read this entire pricing supplement and the accompanying prospectus supplement and prospectus to fully understand the terms of the Notes, as well as certain tax and other considerations that are important to you in making a decision about whether to invest in the Notes. You should carefully review the "Risk Factors" sections in this pricing supplement and the accompanying prospectus supplement, which highlight a number of significant risks, to determine whether an investment in the Notes is appropriate for you. All of the information set forth below is qualified in its entirety by the more detailed explanation set forth elsewhere in this pricing supplement and the accompanying prospectus supplement and prospectus. If information in this pricing supplement is inconsistent with the prospectus or prospectus supplement, this pricing supplement will supersede those documents. In this pricing supplement, the terms "Company," "we," "us" and "our" refer only to The Bear Stearns Companies Inc. excluding its consolidated subsidiaries.

The Bear Stearns Companies Inc. Medium-Term Notes, Series B, Linked to the composite performance of the SGX CNX Nifty Index Futures Contract, due June [ ], 2009 (the "Notes"), are Notes whose return is tied or "linked" to the settlement price of the SGX CNX Nifty Index Futures Contract divided by the USD/INR Exchange Rate. The SGX CNX Nifty Index Futures Contract generally reflects the movements of the S&P CNX Nifty Index. When we refer to Note or Notes in this pricing supplement, we mean $1,000 principal amount of Notes. The Notes are not principal protected. On the Maturity Date, you will receive the Cash Settlement Value, an amount in cash that depends upon the relation of the Final Composite Level to the Initial Composite Level, which in turn depends on the performance of both the Underlying Index and USD/INR Exchange Rate. If the Final Composite Level is greater than the Initial Composite Level, then, on the Maturity Date, we will pay you the principal amount of the Notes, plus [125.00 - 135.00]% of the percentage increase or decrease in the Composite Level. If the Final Composite Level is less than or equal to the Initial Composite Level, you will receive less, and possibly significantly less, at maturity, than the principal you invested. In this case, we will pay you, per Note, $1,000 multiplied by an amount, in percentage terms, equal to the Final Composite Level divided by the Initial Composite Level.

Selected Investment Considerations

Growth potential The Notes offer the possibility to participate in the potential composite appreciation in the value of the Reference Futures Contract. The return, if any, on the Notes is based upon whether the Final Composite Level is greater than the Initial Composite Level.

Potential leverage in the increase, if any, in the Composite Level The Notes may be an attractive investment for investors who have a bullish view of the composite value of the Reference Futures Contract, in the medium term. If held to maturity, the Notes allow you to participate in [125.00 - 135.00]% of the potential increase in the Composite Level.

Diversification The Composite Level represents the settlement price of the SGX CNX Nifty Index Futures Contract divided by the USD/INR Exchange Rate. The SGX CNX Nifty Index Futures Contract generally reflects the movements of the S&P CNX Nifty Index, which in turn reflects the price movements of 50 securities traded on the National Stock Exchange of India Ltd. The Notes provide exposure to 50 Indian securities, as well as the Indian rupee, and thus may allow you to diversify an existing portfolio or investment.

Low minimum investment Notes can be purchased in increments of $1,000.

Selected Risk Considerations

Possible loss of principal The Notes are not principal protected. If the Final Composite Level is less than the Initial Composite Level, there will be no principal protection on the Notes and the Cash Settlement Value you will receive at maturity will be less than the initial offering price in proportion to the percentage decline in the Composite Level. In that case, you will receive less, and possibly significantly less, than the original public offering price of $1,000.

Not exchange-listed The Notes will not be listed on any securities exchange; and we do not expect a trading market to develop, which may affect the price that you receive for your Notes upon any sale prior to maturity.

Liquidity If a trading market were to develop in the Notes, it may not be liquid. Our subsidiary, Bear, Stearns & Co. Inc. ("Bear Stearns"), has advised us that they intend under ordinary market conditions to indicate prices for the Notes on request. However, we cannot guarantee that bids for outstanding Notes will be made; nor can we predict the price at which any such bids will be made. In any event, the Notes will cease trading as of the close of business on the Maturity Date.

Possible loss of value in the secondary market If you sell your Notes prior to maturity, you may receive less than the amount you originally invested.

No interest, dividend or other payments and no current income During the term of the Notes, you will not receive any interest or other periodic distributions and such payments will not be included in the calculation of the Cash Settlement Value you will receive at maturity. The yield on the Notes may be less than the overall return you would earn if you purchased a conventional debt security at the same time and with the same maturity.

An increase or decrease in the level of the SGX CNX Nifty Index Futures Contract may be wholly or partially offset by increases or decreases in the Exchange Rate (as defined below) At a time when the level of the SGX CNX Nifty Index Futures Contract increases, the value of the Indian rupee may depreciate against the U.S. dollar, possibly resulting in a net decrease in the Composite Level. Therefore, in calculating the Composite Level, increases or decreases in the value of the SGX CNX Nifty Index Futures Contract may be moderated, or wholly offset, by greater percentage increases or decreases in the USD/INR Exchange Rate.

Taxes The U.S. federal income tax consequences of an investment in the Notes are uncertain. We intend to treat the Notes for federal income tax purposes as pre-paid cash-settled forward contracts linked to the value of the Reference Futures Contract and, where required, to file information returns with the Internal Revenue Service in accordance with such treatment. Assuming the Notes are treated as pre-paid cash-settled forward contracts, you should be required to recognize capital gain or loss to the extent that the cash you receive on the Maturity Date or upon a sale or exchange of the Notes prior to the Maturity Date differs from your tax basis on the Notes (which will generally be the amount you paid for the Notes). However, other treatments are possible. Prospective investors are urged to consult their tax advisors regarding the U.S. federal income tax consequences of an investment in the Notes.

KEY TERMS

Issuer:	The Bear Stearns Companies Inc.
Reference Futures Contract:	The SGX CNX Nifty Index Futures Contract is traded on the Singapore Exchange Limited ("SGX" or the "Sponsor") and generally reflects the movements of the S&P CNX Nifty Index. The SGX CNX Nifty Index Futures Contract is denominated in U.S. dollars (Bloomberg ticker symbol IHA <Index>, which reflects the current prompt or nearest to expiry contract). The SGX CNX Nifty Index Future Contract commenced trading in February 2006 and expires on a monthly basis. On the expiration date of the SGX CNX Nifty Index Futures Contract, the settlement price of such contract is expected to equal the closing level of the Underlying Index (defined below), denominated in U.S. dollars and rounded to two decimal places; however, there are no assurances that this will occur. In addition, the expiration date of the SGX CNX Nifty Index Futures Contract may occur on a different date than the Calculation Date. On any trading day, the settlement price of the SGX CNX Nifty Index Futures Contract is determined by the Sponsor based on the National Stock Exchange of India Limited ("NSE") CNX Nifty Index futures contract last traded price at the close of their session (absent unusual circumstances).
Underlying Index:	The S&P CNX Nifty Index (the "Underlying Index") is calculated, published and disseminated by the India Index Services and Products Ltd. ("IISL" or "Underlying Index Sponsor"). The Underlying Index reflects the price movements of 50 securities traded on the National Stock Exchange of India Ltd. ("NSE"), representing 56.50% of the total market capitalization of the Indian stock market as of March 31, 2006.
Further Issuances:	Under certain limited circumstances, and at our sole discretion, we may offer further issuances of the Notes. These further issuances, if any, will be consolidated to form a single series with the Notes and will have the same CUSIP number and will trade interchangeably with the Notes immediately upon settlement.
Issue Price	The issue price for each Note is 100% of the principal amount ($1,000); provided, however, investors who purchase an aggregate principal amount of at least $1,000,000 of Notes will be entitled to purchase the Notes for 99.00% of the principal amount.

Face amount: Each Note will be issued in minimum denominations of $1,000 and $1,000 multiples thereafter; provided, however, that the minimum purchase for any purchaser domiciled in a Member state of the European Union shall be $100,000. The aggregate principal amount of the Notes being offered is $[ ]. When we refer to Note or Notes in this pricing supplement, we mean Notes with a principal amount of $1,000.

Upside Participation Rate: [125.00 - 135.00]%.

Cash Settlement Value: If the Final Composite Level is greater than or equal to the Initial Composite Level, then, on the Maturity Date, you will receive the Cash Settlement Value, an amount per Note in cash equal to the principal amount of the Notes, plus:

$$\$1,000 \text{ x } \quad [125.00 \quad 135.00]\% \text{ x } \quad \frac{\text{Final Composite Level}}{\text{Initial Composite Level}} \quad 1 \quad .$$

If the Final Composite Level is less than the Initial Composite Level, you will receive less at maturity, and possibly significantly less, than the principal you invested. In this case, we will pay you, per Note:

$$\$1,000 \text{ x } \quad \frac{\text{Final Composite Level}}{\text{Initial Composite Level}} \quad .$$

Exchange Rate: Equals the USD/INR "spot" exchange rate at approximately 10:00 a.m. New York time on the applicable Business Day, expressed as the number of Indian rupees per one U.S. dollar, as determined by the Calculation Agent (Bloomberg ticker symbol INR <Curncy>).

Initial Exchange Rate: Equals the Exchange Rate on the Pricing Date.

Final Exchange Rate: Equals the Exchange Rate on June [ ], 2009, the "Calculation Date."

Futures Level: The settlement price of the Reference Futures Contract (prompt month), as determined by the Sponsor, on the applicable Business Day.

Composite Level: Equals the Futures Level on the applicable Business Day divided by the Exchange Rate on that same Business Day.

Initial Composite Level: Equals the Futures Level on the Pricing Date divided by the Initial Exchange Rate.

Final Composite Level:	Will be determined by the Calculation Agent and will equal the Futures Level on the Calculation Date divided by the Final Exchange Rate.
Composite Return:	$\dfrac{\text{Final Composite Level}}{\text{Initial Composite Level}} \quad 1 \quad ..$
Pricing Date:	June [ ], 2006.
Maturity Date:	The Notes will mature on June [ ], 2009.
Exchange listing:	The Notes will not be listed on any securities exchange.
Business Day:	Means any day other than a Saturday or Sunday, on which banking institutions are not authorized or obligated by law or executive order to be closed in the cities of New York, New York; London, England; Singapore; and Mumbai, India. In any cases where any date specified herein for any payment under the Notes or other action required to be taken in connection therewith shall not be a Business Day, then such payment date will be, or such other required action will be taken on, the immediately succeeding Business Day (except as otherwise described herein).
Currency Business Day:	Means a day, as determined by the Calculation Agent in its sole discretion, other than a Saturday or Sunday, on which commercial banks are not authorized or obligated by law or executive order to be closed (including dealings in foreign exchange and foreign currency deposits) in the principal financial centers in the U.S. and India.
Calculation Agent:	Bear, Stearns & Co. Inc. All determinations made by the Calculation Agent will be at the sole discretion of the Calculation Agent and will be conclusive for all purposes and binding on us and the beneficial owners of the Notes, absent manifest error.

Offers and sales of the Notes are subject to restrictions in certain jurisdictions. The distribution of this pricing supplement and the accompanying prospectus supplement and prospectus and the offer or sale of the Notes in certain other jurisdictions may be restricted by law. Persons who come into possession of this pricing supplement, and the accompanying prospectus supplement and prospectus or any Notes, must inform themselves about and observe any applicable restrictions on the distribution of this pricing supplement, the accompanying prospectus supplement and prospectus and the offer and sale of the Notes. Notwithstanding the minimum denomination of $1,000, the minimum purchase for any purchaser domiciled in a member state of the European Union shall be $100,000.

QUESTIONS AND ANSWERS

What are the Notes?

The Notes are a series of our senior debt securities, the value of which is linked to the performance of the Composite Level, which is the Reference Futures Contract divided by the USD/INR Exchange Rate. The Notes will not bear interest and no other payments will be made prior to maturity. See the section "Risk Factors."

The Notes will mature on June [ ], 2009. The Notes do not provide for earlier redemption. When we refer to Notes in this pricing supplement, we mean Notes with a principal amount of $1,000. You should refer to the section "Description of Notes."

Are the Notes equity or debt securities?

The Notes are our unsecured debt securities. However, the Notes differ from traditional debt securities in that the Notes are not principal protected and offer the opportunity to participate in [125.00 - 135.00]% of the positive performance of the Composite Level, if any. If, at maturity, the Final Composite Level is less than the Initial Composite Level, you will receive less, and possibly significantly less, than the original public offering price of $1,000 per each $1,000 principal amount of Notes.

What will I receive at maturity of the Notes?

Your investment may result in a loss because the Notes are not principal protected. On the Maturity Date you will receive the Cash Settlement Value, an amount in cash that depends upon the relation of the Final Composite Level to the Initial Composite Level. At maturity, if the Final Composite Level is less than the Initial Composite Level, the Cash Settlement Value will be less than the initial offering price in proportion to the percentage decline in the Composite Level. In such a case, the principal amount of your investment is not protected and you will receive less, and possibly significantly less, than the initial public offering price of $1,000 per Note.

If the Final Composite Level is greater than or equal to the Initial Composite Level, then, on the Maturity Date, you will receive the Cash Settlement Value, an amount per Note in cash equal to the principal amount of the Notes, plus:

$$\$1,000 \text{ x } [125.00 \quad 135.00]\% \text{ x } \frac{\text{Final Composite Level}}{\text{Initial Composite Level}} \quad 1 \quad .$$

If the Final Composite Level is less than the Initial Composite Level, you will receive less at maturity, and possibly significantly less, than the principal you invested. In this case, we will pay you, per Note:

$$\$1,000 \text{ x } \frac{\text{Final Composite Level}}{\text{Initial Composite Level}}$$

The "Composite Level" equals the Futures Level on the applicable Business Day divided by the Exchange Rate on that same Business Day.

The "Futures Level" equals the settlement price of the Reference Futures Contract (prompt month), as determined by SGX, on the applicable Business Day.

The "Exchange Rate" equals the USD/INR exchange rate at approximately 10:00 a.m. New York time on the applicable Business Day, expressed as the number of Indian rupees per one U.S. dollar, as determined by the Calculation Agent (Bloomberg ticker symbol INR <Curncy>).

The "Initial Composite Level" equals the Futures Level on the Pricing Date divided by the Initial Exchange Rate.

The "Initial Exchange Rate" equals the Exchange Rate on the Pricing Date.

The "Final Composite Level" will be determined by the Calculation Agent and will equal the Futures Level on the Calculation Date divided by the Final Exchange Rate.

The "Final Exchange Rate" will equal the Exchange Rate on June [ ], 2009, the "Calculation Date."

The "Composite Return" equals: $\frac{\text{Final Composite Level}}{\text{Initial Composite Level}}$ 1 .

The "Maturity Date" of the Notes is June [ ], 2009.

A "Business Day" will be any day other than a Saturday or Sunday, on which banking institutions are not authorized or obligated by law or executive order to be closed in the cities of New York, New York; London, England; Singapore; and Mumbai, India. In any cases where any date specified herein for any payment under the Notes or other action required to be taken in connection therewith shall not be a Business Day, then such payment date will be, or such other required action will be taken on, the immediately succeeding Business Day (except as otherwise described herein).

For more specific information about the Cash Settlement Value and for illustrative examples, you should refer to "Description of the Notes."

Will there be additional offerings of the Notes?

Under certain limited circumstances, and at our sole discretion, we may offer further issuances of the Notes. These further issuances, if any, will be consolidated to form a single series with the Notes and will have the same CUSIP number and will trade interchangeably with the Notes immediately upon settlement. Any additional issuance will increase the aggregate principal amount of the outstanding Notes of this series to include the aggregate principal amount of any Notes bearing the same CUSIP number that are issued pursuant to (i) any 30-day option we grant to Bear Stearns, and (ii) any future issuances of Notes bearing the same CUSIP number. The price of any additional offerings will be determined at the time of pricing of each offering, which will be a function of the prevailing market conditions and Component Level at the time of the relevant sale.

Are the Notes principal protected?

No. The Notes are not principal protected and your principal investment in the Notes is at risk of loss. If the Final Composite Level is less than the Initial Composite Level, the Cash Settlement Value you will receive will be proportionally less than the initial offering price, in proportion to the percentage decline in the Composite Level. In this case your investment will result in a loss.

Will I receive interest on the Notes?

You will not receive any interest or dividend payments on the Notes, but will instead receive the Cash Settlement Value upon maturity of the Notes.

What is the Reference Futures Contract?

Unless otherwise stated, information on the Reference Futures Contract is derived from the Sponsor or other publicly available sources.

The Reference Futures Contract is the SGX CNX Nifty Index Futures Contract. The Reference Futures Contract is traded on the Singapore Exchange Limited ("SGX") and generally reflects the movements of the Underlying Index. Although the Underlying Index is calculated in the local currency, the Indian rupee, the Reference Futures Contract is denominated in U.S. dollars. On the expiration date of the Reference Futures Contract, the settlement price of such contract is expected to equal the closing level of the Underlying Index, denominated in U.S. dollars and rounded to two decimal places; however, there are no assurances that this will occur. In addition, the expiration date of the SGC CNX Nifty Index Futures Contract may occur on a different date from the Calculation Date. On any trading day, the settlement price of the Reference Futures Contract is determined by the Sponsor based on the National Stock Exchange of India Limited ("NSE") CNX Nifty Index futures contract last traded price at the close of their session (absent unusual circumstances). For the avoidance of doubt, the value of the Reference Futures Contract, while denominated in U.S. dollars, is not adjusted for changes in the USD/INR Exchange Rate. The SGX is closed for trading in the Reference Futures Contract on days when the NSE of is closed for trading because of scheduled India holidays. The SGX CNX Nifty Index Futures Contract commenced trading in February 2006.

An investment in the Notes does not entitle you to any ownership interest in the Reference Futures Contract.

What is the Underlying Index?

Unless otherwise stated, information on the Underlying Index is derived from the Underlying Index Sponsor or other publicly available sources.

The Underlying Index is the S&P CNX Nifty Index. The Underlying Index is calculated, published and disseminated by the India Index Services and Products Ltd., a joint venture between the NSE and CRISIL Ltd. (formerly the Credit Rating Information Services of India Limited). India Index Services and Products Ltd. has a consulting and licensing agreement with Standard & Poor's (S&P). The Underlying Index is a diversified 50 stock market capitalization weighted index comprising securities traded on the NSE. The Underlying Index covers 25 sectors of the economy and, as of March 31, 2006, includes securities with a market capitalization representing 56.50% of the total market capitalization of the Indian stock markets.

An investment in the Notes does not entitle you to any ownership interest in the Underlying Index.

How has the Underlying Index performed historically?

We have provided a table showing the monthly performance of the Underlying Index from January 2001 through May 2006. You can find these tables in the section "Description of the Reference Futures Contract Historical Data on the Underlying Index." We have provided this historical information to help you evaluate the behavior of the Underlying Index in various economic environments; however, past performance is not indicative of how the Underlying Index will perform in the future. You should refer to the section "Risk Factors The historical performance of the Underlying Index is not an indication of the future performance of the Underlying Index."

What is the Exchange Rate?

The Exchange Rate is the relationship between the Indian rupee and the U.S. dollar on the applicable Business Day, and is expressed as the number of Indian rupees which are required to purchase one U.S. dollar. If the Indian rupee depreciates against the U.S. dollar, the Exchange Rate increases, because more

Indian rupees are required to purchase one U.S. dollar. If the Indian rupee appreciates against the U.S. dollar, the Exchange Rate decreases, because fewer Indian rupees are required to purchase one U.S. dollar.

For more specific information about the Exchange Rate, please see the section "Description of the Exchange Rate."

How has the Exchange Rate performed historically?

We have provided a graph showing the performance of the Exchange Rate during the period from January 2001 through May 2006. You can find these tables in the section "Description of the Exchange Rate Historical Data on the Exchange Rate" in this pricing supplement. We have provided this historical information to help you evaluate the behavior of the Exchange Rate in various economic environments; however, please note that past performance is not indicative of how the Exchange Rate will perform in the future. You should refer to the section "Risk Factors The historical performance of the Exchange Rate is not an indication of the future performance of the Exchange Rate."

Will the Notes be listed on a securities exchange?

The Notes will not be listed on any securities exchange; and we do not expect a trading market to develop, which may affect the price that you receive for your Notes upon any sale prior to maturity. Bear Stearns has advised us that they intend under ordinary market conditions to indicate prices for the Notes on request. However, we cannot guarantee that bids for outstanding Notes will be made; nor can we predict the price at which any such bids will be made. In any event, the Notes will cease trading as of the close of business on the Maturity Date. You should refer to the section "Risk Factors."

What is the role of Bear Stearns?

Bear Stearns will be our agent for the offering and sale of the Notes. After the initial offering, Bear Stearns intends, under ordinary market conditions, to buy and sell the Notes to create a secondary market for holders of the Notes, and may stabilize or maintain the market price of the Notes during the initial distribution of the Notes. However, Bear Stearns will not be obligated to engage in any of these market activities or to continue them if they are begun.

Bear Stearns also will be our Calculation Agent for purposes of calculating the Cash Settlement Value. Under certain circumstances, these duties could result in a conflict of interest between Bear Stearns' status as our subsidiary and its responsibilities as Calculation Agent. Bear Stearns is obligated to carry out its duties and functions as Calculation Agent in good faith, and using its reasonable judgment. Manifest error by the Calculation Agent, or any failure by it to act in good faith, in making a determination adversely affecting the payment of principal, interest or premium on principal to the registered holders of the Notes (the "Holders") would entitle the Holders, or the Trustee acting on behalf of the Holders, to exercise rights and remedies available under the Indenture. If the Calculation Agent uses its discretion to make a determination, the Calculation Agent will notify the Company and the Trustee, who will provide notice to the Holders. You should refer to "Risk Factors The Calculation Agent is one of our affiliates, which could result in a conflict of interest."

Can you tell me more about The Bear Stearns Companies Inc.?

We are a holding company that, through our broker-dealer and international bank subsidiaries, principally Bear Stearns, Bear, Stearns Securities Corp., Bear, Stearns International Limited ("BSIL") and Bear Stearns Bank plc, is a leading investment banking, securities and derivatives trading, clearance and brokerage firm serving corporations, governments, institutional and individual investors worldwide. For more information about us, please refer to the section "The Bear Stearns Companies Inc." in the accompanying prospectus. You should also read the other documents we have filed with the Securities and

Exchange Commission ("SEC"), which you can find by referring to the section "Where You Can Find More Information" in the accompanying prospectus.

Who should consider purchasing the Notes?

Because the Notes are tied to the settlement price of the SGX CNX Nifty Index Futures Contract divided by the USD/INR Exchange Rate (the result of such calculation, the "Composite Level"), they may be appropriate for investors with specific investment horizons who seek to participate in the potential price appreciation of the Composite Level. In particular, the Notes may be an attractive investment for investors who:

- want potential upside exposure to the Composite Level;
- believe that the Composite Level will increase over the term of the Notes;
- are willing to risk the possible loss of 100% of their investment in exchange for the opportunity to participate in [125.00 - 135.00]% of the appreciation, if any, in the Composite Level; and
- are willing to forgo interest payments or dividend payments.

The Notes may not be a suitable investment for you if you:

- seek full principal protection under all market conditions;
- seek an investment with an active secondary market;
- are unable or unwilling to hold the Notes until maturity;
- do not have a bullish view of the Composite Level in the medium term; or
- seek an investment with a fixed return, current income or dividend payments.

What are the U.S. federal income tax consequences of investing in the Notes?

The U.S. federal income tax consequences of an investment in the Notes are uncertain. We intend to treat the Notes for all tax purposes as pre-paid cash-settled forward contracts linked to the value of the Reference Futures Contract and, where required, to file information returns with the Internal Revenue Service in accordance with such treatment. Assuming the Notes are treated as pre-paid cash-settled forward contracts, you should be required to recognize capital gain or loss to the extent that the cash you receive on the Maturity Date or upon a sale or exchange of the Notes prior to the Maturity Date differs from your tax basis on the Notes (which will generally be the amount you paid for the Notes). However, other treatments are possible. You should review the discussion under the section "Certain U.S. Federal Income Tax Considerations," and consult with your tax advisor regarding the U.S. federal income tax consequences of an investment in the Notes.

Does ERISA impose any limitations on purchases of the Notes?

An employee benefit plan subject to the fiduciary responsibility provisions of the Employee Retirement Income Security Act of 1974 ("ERISA") or a plan that is subject to Section 4975 of the Internal Revenue Code, including individual retirement accounts, individual retirement annuities or Keogh plans, or any entity the assets of which are deemed to be "plan assets" under ERISA regulations, will be permitted to purchase, hold and dispose of the Notes only on the condition that such plan or entity makes the deemed representation that its purchase, holding and disposition of the Notes will not constitute a prohibited transaction under ERISA or Section 4975 of the Internal Revenue Code for which an exemption is not available. Government plans subject to any substantially similar law will also be subject to this condition.

Are there any risks associated with my investment?

Yes. The Notes are subject to a number of risks. You should refer to "Risk Factors" in this pricing supplement and "Risk Factors" in the accompanying prospectus supplement.

RISK FACTORS

Your investment in the Notes involves a degree of risk similar to investing in the securities comprising the Underlying Index and will be subject to risks not associated with conventional fixed-rate or floating-rate debt securities. Prospective purchasers should recognize the possibility of a substantial loss with respect to their investment in the Notes. Prospective purchasers of the Notes should understand the risks of investing in the Notes and should reach an investment decision only after careful consideration, with their advisers, of the suitability of the Notes in light of their particular financial circumstances, the following risk factors and the other information set forth in this pricing supplement and the accompanying prospectus supplement and prospectus. These risks include the possibility that the Reference Futures Contract will fluctuate, the possibility that the Exchange Rate will fluctuate and the possibility that you will receive a substantially lower amount of principal than the amount you invested. We have no control over a number of matters, including economic, financial, regulatory, geographic, judicial and political events, that are important in determining the existence, magnitude, and longevity of these risks and their influence on the value of, or the payment made on, the Notes.

The Notes are not principal protected. At maturity, the Notes may pay less than the principal amount.

The Notes are not principal protected. If the Final Composite Level is less than the Initial Composite Level, there will be no principal protection on the Notes and the Cash Settlement Value you will receive will be less than the initial offering price, in proportion to the percentage decline in the Composite Level. You may receive less, and possibly significantly less, than the original public offering price of $1,000 per Note.

You will not receive any interest payments on the Notes. Your yield may be lower than the yield on a conventional debt security of comparable maturity.

You will not receive any periodic payments of interest or any other periodic payments on the Notes. On the Maturity Date, you will receive a payment per Note equal to the Cash Settlement Value. Thus, the overall return you earn on your Notes may be less than that you would have earned by investing in a non-indexed and non-currency-related debt security of comparable maturity that bears interest at a prevailing market rate and is principal protected. In addition, any return may not fully compensate you for any opportunity cost to you when you take into account inflation and other factors relating to the time value of money. For more specific information about the Cash Settlement Value and for illustrative examples, you should refer to the section "Description of the Notes."

Your yield will not reflect dividends on the stocks that comprise the Underlying Index.

The Underlying Index does not reflect the payment of dividends on the stocks comprising the Underlying Index. Therefore, the yield based on the Reference Futures Contract to the maturity of the Notes will not produce the same yield as if you had purchased such underlying stocks and held them for a similar period. You should refer to "Description of the Notes."

The settlement price of the Reference Futures Contract may diverge from the level of the Underlying Index.

The settlement price of the Reference Futures Contract on any trading day is determined by the Sponsor based on the NSE CNX Nifty Index futures contract last traded price at the close of their session (absent unusual circumstances). Parties participating in the trading of the NSE CNX Nifty Index futures contract may be influenced by different factors and considerations than those investing in the stocks comprising the Underlying Index and the closing price of that futures contract will reflect market expectations regarding the level of the Underlying Index on the expiration date of the futures contract, rather than the level of the Underlying Index on that trading day. Therefore, there may be a discrepancy between the Futures Level and the level of the Underlying Index. We expect that on the final settlement day of each Reference Futures Contract, the Futures Level (i.e., the settlement price of the Reference Futures Contract) and the Underlying Index will be equal; however, we can give no assurances that this will occur. In addition, the final settlement date of the Reference Futures Contract may occur on a different date than the Calculation date.

The settlement price of the Reference Futures Contract and the Exchange Rate may not move in tandem.

Your return is dependent upon two independent variables: the Futures Level (i.e., the settlement price of the Reference Futures Contract) and the USD/INR Exchange Rate. An increase or decrease in the Futures Level may be wholly or partially offset by increases or decreases in the Exchange Rate. At a time when the Futures Level increases, the value of the Exchange Rate may also increase (i.e., the Indian rupee may depreciate against the U.S. dollar), which may result in a net decrease in the Composite Level. Therefore, in calculating the Composite Level, increases or decreases in the value of the Futures Level may be moderated, or wholly offset, by greater percentage increases or decreases in the Exchange Rate.

You must rely on your own evaluation of the merits of an investment linked to the performance of the Reference Futures Contract and the Exchange Rate.

In the ordinary course of our business, we may from time to time express views on expected movements in the Reference Futures Contracts, Underlying Index, the securities comprising the Underlying Index, the foreign currency markets and the currencies to which the Exchange Rate relates. These views may vary over differing time horizons and are subject to change without notice. Moreover, other professionals who deal in the futures contract, securities or currency markets may at any time have views that differ significantly from ours. In connection with your purchase of the Notes, you should investigate the Reference Futures Contracts, Underlying Index, the securities comprising the Underlying Index, the foreign currency markets and the currencies to which the Exchange Rate relates and not rely on our views with respect to future movements in the Composite Level. You should make such investigation as you deem appropriate as to the merits of an investment linked to the performance of the Reference Futures Contract and the USD/INR Exchange Rate.

Your return may be affected by factors affecting international securities markets.

The stocks comprising the Underlying Index are issued by international companies. Investors should be aware that investments linked to the value of international equity securities might involve particular risks. The international securities markets may have less liquidity and could be more volatile than the U.S. or other longer-established international securities markets. Direct or indirect government intervention to stabilize the international securities markets, as well as cross-shareholdings in international companies, may affect trading prices and volumes in those markets. Also, there is generally less publicly available information about international companies than about those U.S. companies that are subject to the reporting requirements of the SEC; and international companies are often subject to accounting, auditing and financial reporting standards and requirements that differ from those applicable to U.S. reporting companies. The other special risks associated with investments linked to the value of international equity securities may include, but are not necessarily limited to: the imposition of taxes; higher transaction and custody costs; settlement delays and risk of loss; difficulties in enforcing contracts; smaller market capitalizations; less rigorous regulation of securities markets; governmental interference; and higher inflation. These factors may adversely affect the performance of the Underlying Index and, in turn, the Reference Futures Contract, and, as a result, the Cash Settlement Value may be adversely affected.

The prices and performance of stocks comprising the Underlying Index also may be affected by political, economic, financial and social factors or uncertainties. In addition, the international securities markets may be adversely affected by recent or future changes in the government, by economic and fiscal policies, by the possible imposition of, or changes in, currency exchange laws or other laws or restrictions, and by possible fluctuations in the rate of exchange between currencies. Moreover, the economy of India may differ favorably or unfavorably from that of the United States.

Equity market risks may affect the trading value of the Notes and the amount you will receive at maturity.

We expect that the value of the Reference Futures Contract will fluctuate in accordance with changes in the financial conditions of the companies issuing the securities comprising the Underlying Index, the value of the underlying securities generally and other factors. The financial conditions of the issuers of the securities comprising the Underlying Index may become impaired or the general condition of the Indian equity markets may deteriorate, either of which may cause a decrease in the value of the Underlying Index and the Reference Futures Contract and thus in the value of the Notes. Equity securities are susceptible to general equity market fluctuations and to volatile increases and decreases in value, as market confidence in and perceptions regarding the securities comprising the Underlying Index change. Investor perceptions regarding the companies issuing the securities comprising the Underlying Index are based on various and unpredictable factors, including expectations regarding government, economic, monetary and fiscal policies, inflation and interest rates, economic expansion or contraction, and global or regional political, economic, and banking crises. The value of the Reference Futures Contract may be expected to fluctuate until the Maturity Date.

If a secondary market develops, the hours of trading for the Notes may not conform to the hours during which the Reference Futures Contract or the stocks comprising the Underlying Index are traded.

To the extent that U.S. markets are closed while other markets remain open, significant price and rate movements may take place in the markets for the Reference Futures Contracts or the stocks comprising the Underlying Index that will not be reflected immediately in the price of the Notes.

As a result of the time difference among India (where the stocks comprising the Underlying Index trade), Singapore (where the Reference Futures Contract trades) and New York City (where the Notes may trade), there may be discrepancies in price and rate movements among the stocks comprising the Underlying Index, the Reference Futures Contracts and the trading prices of the Notes. In addition, there may be periods when the international securities markets are closed for trading (for example during holidays in the respective country), causing the level of the Underlying Index or Reference Futures Contract to remain unchanged for multiple New York City trading days.

The historical performance of the Underlying Index is not an indication of the future performance of the Underlying Index.

The historical performance of the Underlying Index, which is included in this pricing supplement, should not be taken as an indication of the future performance of the Underlying Index. While the trading prices of the stocks comprising the Underlying Index will determine the Futures Level, it is impossible to predict whether the Futures Level will fall or rise during the term of the Notes. Trading prices of the stocks comprising the Underlying Index will be influenced by the complex and interrelated economic, financial, regulatory, geographic, judicial, political, and other factors that can affect the equity markets generally and by various circumstances that can influence the value of a particular underlying security.

Changes that affect the Reference Futures Contract or the calculation of the Underlying Index will affect the trading value of the Notes and the amount you will receive at maturity.

Other than as disclosed in this pricing supplement, the issuer has no written agreement or other understanding with or relationship to the Sponsor or the Underlying Index Sponsor with respect to the Notes offering, or otherwise. The Sponsor hosts the trading of the Reference Futures Contract, and the Underlying Index Sponsor is responsible for calculating and maintaining the Underlying Index. The policies of the Sponsor concerning the trading of the Reference Futures Contract and the policies of the Underlying Index Sponsor concerning the calculation of the Underlying Index will affect the value of the Underlying Index and, therefore, will affect the trading value of the Notes and the Cash Settlement Value.

If the Reference Futures Contract ceases to trade or if the Underlying Index Sponsor discontinues or suspends the trading of the Underlying Index, it may become difficult to determine the trading value of the

Notes or the Cash Settlement Value. If either of these occurs, the Calculation Agent will determine the value of the Notes in its sole discretion. As a result, the Calculation Agent's determination of the value of the Notes will affect the amount you will receive at maturity. In addition, if the Reference Futures Contract ceases to trade at any time prior to the Maturity Date and a Successor Futures Contract is not available or is not acceptable to the Calculation Agent in its sole discretion, then the Calculation Agent will determine the amount payable on the Maturity Date by reference to the closing level of the Underlying Index as calculated and published by the Underlying Index Sponsor. (If at such time the Underlying Index Sponsor has discontinued or suspended calculation of the Underlying Index and a Successor Underlying Index is not available or is not acceptable to the Calculation Agent in its sole discretion, then the Calculation Agent will determine the amount payable on the Maturity Date by reference to a group of stocks and a computation methodology that the Calculation Agent determines in its sole discretion will as closely as reasonably possible replicate the Underlying Index). The settlement price of the Reference Futures Contract and the value of the Underlying Index are only some of the factors that will affect this determination and the value of the Notes prior to maturity. See "Description of the Notes Discontinuance of the Reference Futures Contract" and "Description of the Reference Futures Contract."

The Notes are subject to foreign exchange risk.

Your return on the Notes will be based, in part, upon the USD/INR Exchange Rate. The price relationship between the U.S. dollar and the Indian rupee may be highly volatile and varies based on a number of interrelated factors, including the supply and demand for each currency, political, economic, legal, financial, accounting and tax matters and other actions that we cannot control. Relevant factors include, among other things, the possibility that exchange controls could be imposed or modified, the possible imposition of other regulatory controls or taxes, the overall growth and performance of the U.S. and Indian economies, the trade and current account balance between the U.S. and India, market interventions by the central banks, inflation, interest rate levels, the performance of the global stock markets, the stability of the relevant governments and banking systems, wars, major natural disasters and other foreseeable and unforeseeable events. In addition, the value of a currency may be affected by the operation of, and the identity of persons and entities trading on, interbank and interdealer foreign exchange markets.

The Indian rupee and U.S. dollar trade around-the-clock; however, if a secondary market develops, the Notes may trade only during regular trading hours in the United States.

The interdealer market for the Indian rupee and U.S. dollar is a global, around-the-clock market. Therefore, if a secondary market develops, the hours of trading for the Notes may not conform to the hours during which the Indian rupee and the U.S. dollar are traded. To the extent that U.S. markets are closed while markets for the Indian rupee and the U.S. dollar remain open, significant price and rate movements may take place in the underlying international exchange markets that will not be reflected immediately in the price of the Notes. There may not be any systematic reporting of last-sale or similar information for international currencies. Reasonable current bid and offer information is available in certain brokers' offices and to others who wish to subscribe for this information, but this information may not necessarily reflect the spot rate relevant for determining the value of the Notes. The absence of last-sale information and the limited availability of quotations to individual investors make it difficult for many investors to obtain timely, accurate data about the state of the underlying international exchange markets.

Because the Notes involve Exchange Rate risk, the amount you receive at maturity could be affected by the actions of the relevant sovereign governments.

Exchange rates of most economically developed nations, including those of the U.S. and India are "floating," meaning the rate is permitted to fluctuate in value. However, governments, from time to time, may not allow their currencies to float freely in response to economic forces. Moreover, governments, including those of the United States and India, may use a variety of techniques, such as intervention by their central bank or imposition of regulatory controls or taxes, to affect the exchange rates of their respective currencies. Governments also may issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by devaluation or revaluation of a currency. Thus, a special risk in purchasing Notes relating to one or more foreign currencies is that their liquidity, their trading value and the amount you will receive at maturity could be affected by the actions of sovereign governments which could change or interfere with currency valuation and the movement of currencies across borders. There will be no adjustment or change in the terms of the Notes in the event that exchange rates should become fixed, or in the event of any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes, or in the event of the issuance of a replacement currency or in the event of any other development affecting the relevant currencies.

Since 1991, the Indian government has pursued policies of market-oriented reforms, including liberalized foreign investment and exchange regimes, but the government's role in the economy has remained significant. The Indian government has the ability to restrict the conversion of rupees into foreign currencies, and under certain circumstances investors that seek to convert rupees into foreign currency must obtain the approval of the Reserve Bank of India.

The historical performance of the Exchange Rate is not an indication of the future performance of the Exchange Rate.

The historical performance of the Exchange Rate, which is included in this pricing supplement, should not be taken as an indication of the future performance of the Exchange Rate. It is impossible to predict whether the Exchange Rate will fall or rise during the term of the Notes. The Exchange Rate will be influenced by the complex and interrelated economic, financial, regulatory, geographic, judicial, political and other factors that can affect the capital markets generally and currency trading markets in particular, and by various circumstances that can affect the value of a particular currency in relation to another currency.

Higher future level of the Underlying Index relative to its current level may decrease the amount payable at maturity.

The Reference Futures Contract is a futures contract on the Underlying Index. Unlike equities, which typically entitle the holder to a continuing stake in a corporation, futures contracts normally specify a certain date for delivery. As the exchange-traded futures contracts approach expiration, they are replaced by contracts that have a later expiration. Thus, for example, a contract purchased and held in August may specify an October expiration. As time passes, the contract expiring in October is replaced by a contract for delivery in November. This process is referred to as "rolling." If the market prices for these contracts is lower in the distant delivery months than in the nearer delivery months, the sale of the October contract would take place at a price that is higher than the price of the November contract, thereby creating a "roll yield." Backwardation occurs when the prices of futures contracts are lower in the distant delivery months than in the nearer delivery months. While the Reference Futures Contract may have historically exhibited consistent periods of backwardation, backwardation will most likely not exist at all times.

Suspensions or disruptions of trading in the futures markets may adversely affect the amount you will receive at maturity and/or the trading value of the Notes.

The futures contract markets are subject to temporary distortions or other disruptions due to various factors, including a lack of liquidity in the markets, the participation of speculators and potential government regulation and intervention. In addition, the SGX has regulations that limit the amount of fluctuation in futures contract prices that may occur during a single trading day. These limits are referred to as "daily price limits." Whenever the price moves by 10% in either direction from the previous day's settlement price, trading at or within a "price limit" of 10% is allowed for the next 10 minutes. Thereafter, trading is allowed within an expanded price limit of 20% above or below the previous day's settlement price. When this limit is reached, there is a further 10-minute cooling off period. Thereafter, there is no price limit for the rest of the day. Daily price limits may have the effect of precluding trading in a particular contract or forcing the liquidation of contracts at disadvantageous times or prices.

You do not have any rights to receive the stocks comprising the Underlying Index, Indian rupees or Reference Futures Contracts.

Investing in the Notes will not make you a holder of a Reference Futures Contract, of any of the stocks comprising the Underlying Index or of Indian rupees. You will have no right to receive delivery of any stock comprising the Underlying Index. The Notes will be paid in U.S. dollars, and you will have no right to receive delivery of Indian rupees underlying the Exchange Rate. You will not have the rights that holders of exchange-traded futures contracts may have.

The U.S. federal income tax consequences of an investment in the Notes are uncertain.

Although we intend to treat the Notes for all tax purposes as pre-paid cash-settled forward contracts linked to the Reference Futures Contract, there is no direct legal authority as to the proper tax treatment of the Notes, and therefore significant aspects of the tax treatment of the Notes are uncertain. In particular, it is possible that you will be required to recognize income for U.S. federal tax purposes with respect to the Notes prior to the sale, exchange or maturity of the Notes, and it is possible that any gain or income recognized with respect to the Notes will be treated as ordinary income rather than capital gain. You should review the discussion under the section "Certain U.S. Federal Income Tax Considerations," and consult with your tax advisor regarding the U.S. federal income tax consequences of an investment in the Notes.

The price at which you will be able to sell your Notes prior to maturity will depend on a number of factors, and may be substantially less than the amount you originally invested.

If you wish to liquidate your investment in the Notes prior to maturity, your only alternative would be to sell them. At that time, there may be an illiquid market for Notes or no market at all. Even if you were able to sell your Notes, there are many factors outside of our control that may affect their trading value. We believe that the value of your Notes will be affected by the value and volatility of the Futures Level and Exchange Rate, whether the Composite Level is greater than or equal to the Initial Composite Level, changes in interest rates in the U.S. and India, the supply of and demand for the Notes and a number of other factors. Some of these factors are interrelated in complex ways. As a result, the effect of any one factor may be offset or magnified by the effect of another factor. The price, if any, at which you will be able to sell your Notes prior to maturity may be substantially less than the amount you originally invested if, at such time, the Composite Level is less than, equal to or not sufficiently above the Initial Composite Level or if the value of the Exchange Rate is greater than, equal to or not sufficiently below the Initial Exchange Rate. The following paragraphs describe the manner in which we expect that the trading value of the Notes will be affected in the event of a change in a specific factor, assuming all other conditions remain constant.

Composite Level performance. We expect that the value of the Notes prior to maturity will depend substantially on whether the Composite Level is greater than the Initial Composite Level. If you decide to sell your Notes when the Composite Level exceeds the Initial Composite Level, you may nonetheless receive substantially less than the amount that would be payable at maturity based on that Composite Level because of expectations that the Composite Level will continue to fluctuate until the Final Composite Level is determined. Economic, financial, regulatory, geographic, judicial, political and other developments that affect the stocks comprising the Underlying Index may also affect the Composite Level and, thus, the value of the Notes.

Level of the Exchange Rate. We expect that the trading value of the Notes also will depend substantially on the amount, if any, by which the Exchange Rate at any given time is less than the Initial Exchange Rate (i.e., by the amount, if any, of appreciation in the value of the Indian rupee against the U.S. dollar). If you decide to sell your Notes when the Exchange Rate is less than the Initial Exchange Rate, you may nonetheless receive substantially less than the amount that would be payable at maturity based on that Exchange Rate because of expectations that the Exchange Rate will continue to fluctuate until the Final Exchange Rate is determined. General economic, political, legal, financial and other developments that affect the Exchange Rate may also affect the trading value of the Notes.

Volatility of the Underlying Index and Exchange Rate. Volatility is the term used to describe the size and frequency of market fluctuations. If the volatility of the Underlying Index or Exchange Rate increases or decreases, the trading value of the Notes may be adversely affected. The volatility of the Underlying Index may increase the risk that the Futures Level will decline, which could negatively affect the trading value of the Notes. Generally, if the volatility of the Exchange Rate decreases, the trading value of the Notes will decrease; and, if the volatility of the Exchange Rate increases, the trading value of the Notes will increase The effect of the volatility of the Underlying Index and the Exchange Rate on the trading value of the Notes may not necessarily decrease over time during the term of the Notes.

Interest rates. We expect that the trading value of the Notes will be affected by changes in interest rates in the U.S. and India. In general, if U.S. interest rates increase, the value of the Notes may decrease, and if U.S. interest rates decrease, the value of the Notes may increase. In addition, increases in U.S. interest rates relative to interest rates in India may increase the future value of the U.S. dollar relative to the Indian rupee, which would generally tend to decrease the value of the Notes; and decreases in U.S. interest rates, relative to interest rates in India may decrease the future value of the U.S. dollar relative to the Indian rupee, which would generally tend to increase the value of the Notes. Interest rates also may affect the economies of the U.S. and India and, in turn, the Exchange Rate or the value of the Underlying Index, which would affect the value of the Notes.

Our credit ratings, financial condition and results of operations. Actual or anticipated changes in our current credit ratings, A1 by Moody's Investor Service, Inc. and A by Standard & Poor's Rating Services, as well as our financial condition or results of operations may significantly affect the trading value of the Notes. However, because the return on the Notes is dependent upon factors in addition to our ability to pay our obligations under the Notes, such as the Composite Level, an improvement in our credit ratings, financial condition or results of operations is not expected to have a positive effect on the trading value of the Notes.

Time remaining to maturity. As the time remaining to maturity of the Notes decreases, the "time premium" associated with the Notes will decrease. A "time premium" results from expectations concerning the Component Level during the period prior to the maturity of the Notes. As the time remaining to the maturity of the Notes decreases, this time premium will likely decrease, potentially adversely affecting the trading value of the Notes. As the time remaining to maturity decreases, the trading value of the Notes may be less sensitive to the volatility of the Composite Level.

Events involving the companies issuing the stocks comprising the Underlying Index. General economic conditions and earnings results of the companies whose stocks underlie the Underlying Index, and real or anticipated changes in those conditions or results, may affect the trading value of the Notes. Some of the stocks comprising the Underlying Index may be affected by mergers and acquisitions, which can contribute to volatility of the Composite Level. As a result of a merger or acquisition, one or more stocks comprising the Underlying Index may be replaced with a surviving or acquiring entity's securities. The surviving or acquiring entity's securities may not have the same characteristics as the stock originally included in the Underlying Index.

Size and liquidity of the trading market. The Notes will not be listed on any securities exchange and we do not expect a trading market to develop. Therefore, there may not be a secondary market in the Notes, which may affect the price that you receive for your Notes upon any sale prior to maturity. If a trading market does develop, there can be no assurance that it will be liquid. If the trading market for the Notes is limited, there may be a limited number of buyers for your Notes if you do not wish to hold your investment until maturity. This may affect the price you receive upon any sale of the Notes prior to maturity. Bear Stearns has advised us that they intend under ordinary market conditions to indicate prices for the Notes on request. However, we cannot guarantee that bids for outstanding Notes will be made in the future; nor can we predict the prices at which any such bids will be made.

The original issue price of the Notes includes the cost of hedging our obligations under the Notes. Such cost includes BSIL's expected cost of providing such hedge and the profit BSIL expects 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 Bear Stearns will be willing to purchase Notes 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 Bear Stearns as a result of transaction costs.

We want you to understand that the effect of one of the factors specified above, such as an increase in interest rates, may offset some or all of any change in the value of the Notes attributable to another factor, such as an increase in the Composite Level.

The Calculation Agent is one of our affiliates, which could result in a conflict of interest.

Bear Stearns will act as the Calculation Agent. The Calculation Agent will make certain determinations and judgments in connection with calculating the Futures Level, or deciding whether a Market Disruption Event or a Currency Disruption Event has occurred. You should refer to "Description of the Notes Discontinuance of the Reference Futures Contract," " Market Disruption Events," " Discontinuance of the Exchange Rate" and " Currency Disruption Events." Because Bear Stearns is our affiliate, and because Bear Stearns and our other affiliates may at times engage in transactions in the Reference Futures Contract, in the NSE CNX Nifty Index futures contract, in the stocks that make up the Underlying Index or in the currencies comprising the Exchange Rate for their proprietary accounts and for other accounts under their management, conflicts of interest may arise in connection with Bear Stearns performing its role as Calculation Agent. Bear Stearns is obligated to carry out its duties and functions as Calculation Agent in good faith, and using its reasonable judgment. Manifest error by the Calculation Agent, or any failure by it to act in good faith, in making a determination adversely affecting the payment of principal, interest or premium on principal to Holders would entitle the Holders, or the Trustee acting on behalf of the Holders, to exercise rights and remedies available under the Indenture. If the Calculation Agent uses its discretion to make a determination, the Calculation Agent will notify the Company and the Trustee, who will provide notice to the registered holders of the Notes.

Trading and other transactions by us and our affiliates may affect the prices of the stocks comprising the Underlying Index, the level of the Underlying Index, the prices of the currencies comprising the Exchange Rate, the level of the Exchange Rate, the trading value of the Notes or the amount you may receive at maturity.

We and our affiliates may, from time to time, buy or sell the currencies to which the Exchange Rate relates or derivative instruments related to those currencies for our own accounts in connection with our normal business practices or in connection with hedging our obligations under the Notes. We and our affiliates also may, from time to time, buy or sell shares of the stocks comprising the Underlying Index or derivative instruments related to those stocks for our own accounts in connection with our normal business practices or in connection with hedging our obligations under the Notes. These trading activities may present a conflict of interest between your interest in the Notes and the interests we and our affiliates may have in our proprietary accounts, in facilitating transactions, including block trades, for our other customers and in accounts under our management. The transactions, if effected in substantial size, could affect the prices of those stocks or the level of the Exchange Rate or Underlying Index in a manner that would be adverse to your investment in the Notes. See the section "Use of Proceeds and Hedging."

Hedging activities we or our affiliates may engage in may affect the level of the Exchange Rate, Reference Futures Contract or the Underlying Index and, accordingly, increase or decrease the trading value of the Notes prior to maturity and the Cash Settlement Value you would receive at maturity. To the extent that we or any of our affiliates has a hedge position in either of the currencies to which the Exchange Rate relates, derivative or synthetic instruments related to those currencies or the Exchange Rate, any of the stocks that comprise the Underlying Index, or derivative or synthetic instruments related to those stocks or the Underlying Index, we or any of our affiliates may liquidate a portion of such holdings at or about the time of the maturity of the Notes or at or about the time of a change in the stocks that underlie the Underlying Index. Depending on, among other things, future market conditions, the aggregate amount and the composition of such hedge positions are likely to vary over time. Profits or losses from any of those positions cannot be ascertained until the position is closed out and any offsetting position or positions are taken into account. Although we have no reason to believe that any of those activities will have a material effect on the level of the Exchange Rate or Underlying Index, we cannot assure you that these activities will not affect such level and the trading value of the Notes prior to maturity or the Cash Settlement Value payable at maturity.

In addition, we or any of our affiliates may purchase or otherwise acquire a long or short position in the Notes. We or any of our affiliates may hold or resell the Notes. We or any of our affiliates may also take positions in other types of appropriate financial instruments that may become available in the future.

We or any of our affiliates may also issue, underwrite or assist unaffiliated entities in the issuance or underwriting of other securities or financial instruments with returns indexed to the Exchange Rate or the Underlying Index or Reference Futures Contract. By introducing competing products into the marketplace in this manner, we or our affiliates could adversely affect the value of the Notes.

We and our affiliates have no affiliation with the Sponsor and are not responsible for their respective public disclosure of information.

We and our affiliates are not affiliated in any way with the Sponsor (except for the licensing arrangements discussed in the section "Description of the Reference Futures Contract License Agreement") or the Underlying Index Sponsor and have no ability to control or predict the Sponsor's or Underlying Index Sponsor's actions, including any errors in or discontinuation of disclosure regarding their respective methods or policies relating to the calculation of the Reference Futures Contract settlement price or the Underlying Index. Neither we nor any or our affiliates assumes any responsibility for the adequacy or accuracy of the information about the Reference Futures Contract, the Underlying Index, the Sponsor or the Underlying Index Sponsor contained in this pricing supplement. You, as an investor in the Notes, should make your own investigation into the Reference Futures Contract, the Underlying Index, the Sponsor and the Underlying Index Sponsor. The Sponsor and the Underlying Index Sponsor are not involved in any way in the offering of the Notes and have no obligation to consider your interests as an owner of Notes when they take any actions that might affect the value of the Notes.

Research reports and other transactions may create conflicts of interest between you and us.

We or one or more of our affiliates have published, and may in the future publish, research reports on the Reference Futures Contract, the NSE CNX Nifty Index futures contract, the Underlying Index, the stocks comprising the Underlying Index or the currencies underlying the Exchange Rate. This research may be modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the Notes. Any of these activities may affect the market price of the Reference Futures Contract, the NSE CNX Nifty Index futures contract, the Underlying Index or the Exchange Rate and, therefore, the value of the Notes. Additionally, we may in the past or may in the future issue Notes that permit a purchaser to take a different view with respect to the movement of the Underlying Index and/or the Exchange Rate than do the Notes (e.g., to take a bearish rather than a bullish view).

We and our affiliates, at present or in the future, may engage in business with the companies issuing the common stock included in the Underlying Index, including making loans to, equity investments in, or providing investment banking, asset management or other advisory services to those companies and their competitors. In connection with these activities, we may receive information about those companies that we will not divulge to you or other third parties.

The Cash Settlement Value you receive on the Notes may be delayed or reduced upon the occurrence of a Market Disruption Event, Currency Disruption Event or an Event of Default.

If the Calculation Agent determines that, on the Calculation Date, a Market Disruption Event or Currency Disruption Events has occurred or is continuing, the determination of the settlement prices of the Reference Futures Contract or Exchange Rates by the Calculation Agent may be deferred. You should refer to the section "Description of the Notes Market Disruption Events."

If the Calculation Agent determines that an Event of Default (as defined below) has occurred, a holder of the Notes will only receive an amount equal to the trading value of the Notes on the date of such Event of Default, adjusted by an amount equal to any losses, expenses and costs to us of unwinding any underlying hedging or funding arrangements, all as determined by the Calculation Agent in its sole and absolute discretion. You should refer to the section "Description of the Notes Event of Default and Acceleration."

You should decide to purchase the Notes only after carefully considering the suitability of the Notes in light of your particular financial circumstances. You should also carefully consider the tax consequences of investing in the Notes. You should refer to the section "Certain U.S. Federal Income Tax Considerations" and discuss the tax implications with your own tax advisor.

DESCRIPTION OF THE NOTES

The following description of the Notes (referred to in the accompanying prospectus supplement as the "Other Indexed Notes") supplements the description of the Notes in the accompanying prospectus supplement and prospectus. This is a summary and is not complete. You should read the indenture, dated as of May 31, 1991, as amended (the "Indenture"), between us and JPMorgan Chase Bank, N.A. (formerly, The Chase Manhattan Bank), as trustee (the "Trustee"). A copy of the Indenture is available as set forth under the section of the prospectus "Where You Can Find More Information."

General

The Notes are part of a single series of debt securities under the Indenture described in the accompanying prospectus supplement and prospectus designated as Medium-Term Notes, Series B. The Notes are unsecured and will rank equally with all of our unsecured and unsubordinated debt, including the other debt securities issued under the Indenture. Because we are a holding company, the Notes will be effectively subordinated to the claims of creditors of our subsidiaries.

The aggregate principal amount of the Notes will be $[ ]. The Notes will mature on June [ ], 2009 and do not provide for earlier redemption. The Notes will be issued only in fully registered form, and in minimum denominations of $1,000; provided, however, that the minimum purchase for any purchaser domiciled in a member state of the European Union shall be $100,000. Initially, the Notes will be issued in the form of one or more global securities registered in the name of DTC or its nominee, as described in the accompanying prospectus supplement and prospectus. When we refer to Note or Notes in this pricing supplement, we mean $1,000 principal amount of Notes. The Notes will not be listed on any securities exchange.

You should refer to the section "Certain U.S. Federal Income Tax Considerations," for a discussion of certain federal income tax considerations to you as a holder of the Notes.

Future Issuances

Under certain limited circumstances, and at our sole discretion, we may offer further issuances of the Notes. These further issuances, if any, will be consolidated to form a single series with the Notes and will have the same CUSIP number and will trade interchangeably with the Notes immediately upon settlement. Any additional issuance will increase the aggregate principal amount of the outstanding Notes of this series, plus the aggregate principal amount of any Notes bearing the same CUSIP number that are issued pursuant to (i) any 30-day option we grant to Bear, Stearns & Co. Inc., and (ii) any future issuances of Notes bearing the same CUSIP number. The price of any additional offerings will be determined at the time of pricing of each offering, which will be a function of the prevailing market conditions and level of the Composite Level at the time of the relevant sale.

Interest

We will not make any payments of interest, or any other periodic payments, on the Notes until maturity.

Payment at Maturity

On the Maturity Date you will receive the Cash Settlement Value, an amount in cash that depends upon the relation of the Final Composite Level to the Initial Composite Level. If the Final Composite Level is greater than or equal to the Initial Composite Level, then, on the Maturity Date, we will pay you an amount per Note in cash equal to the principal amount of the Notes, plus:

$$\$1,000 \text{ x } \quad [125.00\% - 135.00]\% \times \quad \frac{\text{Final Composite Level}}{\text{Initial Composite Level}} \quad 1 \qquad .$$

If the Final Composite Level is less than the Initial Composite Level, you will receive less at maturity, and possibly significantly less, than the principal you invested. In this case, we will pay you, per Note:

$$\$1,000 \text{ x } \quad \frac{\text{Final Composite Level}}{\text{Initial Composite Level}}$$

The "Composite Level" equals the Futures Level on the applicable Business Day divided by the Exchange Rate on that same Business Day.

The "Futures Level" equals the settlement price of the Reference Futures Contract (prompt month), as determined by SGX, on the applicable Business Day.

The "Exchange Rate" equals the USD/INR exchange rate at approximately 10:00 a.m. New York time on the applicable Business Day, expressed as the number of Indian rupees per one U.S. dollar, as determined by the Calculation Agent (Bloomberg ticker symbol INR <Curncy>).

The "Initial Composite Level" equals the Futures Level on the Pricing Date divided by the Initial Exchange Rate.

The "Initial Exchange Rate" equals the Exchange Rate on the Pricing Date.

The "Final Composite Level" will be determined by the Calculation Agent and will equal the Futures Level on the Calculation Date divided by the Final Exchange Rate.

The "Final Exchange Rate" will equal the Exchange Rate on June [?], 2009, the "Calculation Date."

The "Composite Return" equals: Final Composite Level 1 .

Initial Composite Level

The "Maturity Date" of the Notes is June [ ], 2009.

A "Business Day" will be any day other than a Saturday or Sunday, on which banking institutions are not authorized or obligated by law or executive order to be closed in the cities of New York, New York; London, England; Singapore; and Mumbai, India. In any cases where any date specified herein for any payment under the Notes or other action required to be taken in connection therewith shall not be a Business Day, then such payment date will be, or such other required action will be taken on, the immediately succeeding Business Day (except as otherwise described herein).

Illustrative Examples

The illustrative examples set forth below demonstrating the hypothetical Cash Settlement Value of a Note do not purport to be representative of every possible scenario concerning increases or decreases in the Reference Futures Contract or Exchange Rate. You should not construe these examples or the data included in the tables as an indication or assurance of the expected performance of the Notes.

The examples demonstrating the hypothetical Cash Settlement Value of a Note are based on the following assumptions:

Investor purchases $1,000 aggregate principal amount of Notes at the initial public offering price of $1,000.

Investor holds the Notes to maturity.

The Futures Level on the Pricing Date is equal to 3,000.

The Initial Exchange Rate is equal to 45.00.

The Initial Composite Level is 66.67 (*i.e.,* Futures Level divided by Initial Exchange Rate).

All returns are based on a 3-year term; pre-tax basis.

Upside Participation Rate is 125.00%.

No Market Disruption Events, Currency Disruption Events or Events of Default occur during the term of the Notes.

Example 1: The Futures Level and the Indian Rupee Both Appreciate.

In this example, the Futures Level generally rises and the Indian rupee appreciates over the term of the Notes. On the Calculation Date, the Futures Level is 4,200, representing a 40.00% increase from the Futures Level on the Pricing Date. The Final Exchange Rate is 40.00, representing an 11.11% appreciation of the INR from the Initial Exchange Rate. The Final Composite Level is 105.00, resulting in a 57.49% Composite Return. In this example, using the formula below, the Cash Settlement Value will equal $1,718.60.

$$= \$1,000 + \$1,000 \times \quad 125.00\% \times \quad \frac{\text{Final Composite Level}}{\text{Initial Composite Level}} \quad 1$$

$$= \$1,000 + \$1,000 \times \quad 125.00\% \times \quad \frac{105.00}{66.67} \quad - 1$$

= \$1,000 + \$1,000 × [125.00% × 57.49%]

= \$1,000 + \$1,000 × 71.86%

= \$1,000 + \$718.60

= \$1,718.60

Example 2: The Futures Level and the Indian Rupee Both Depreciate.

In this example, the Futures Level generally falls and the Indian rupee depreciates over the term of the Notes. On the Calculation Date, the Futures Level is 2,100, representing a 30.00% decrease from the Futures Level on the Pricing Date. The Final Exchange Rate is 50.00, representing an 11.11% depreciation of the INR from the Initial Exchange Rate. The Final Composite Level is 42.00, resulting in a -37.00% Composite Return. In this example, using the formula below, the Cash Settlement Value will equal \$630.00.

$$= \$1{,}000 \text{ x } \frac{\text{Final Composite Level}}{\text{Initial Composite Level}}$$

$$= \$1{,}000 \times \frac{42.00}{66.67}$$

= \$1,000 × 63.00%

= \$630.00

Example 3: The Futures Level Appreciates, but the Indian Rupee Depreciates.

In this example, the Futures Level generally rises and the Indian rupee depreciates over the term of the Notes. On the Calculation Date, the Futures Level is 4,200, representing a 40.00% increase from the Futures Level on the Pricing Date. The Final Exchange Rate is 50.00, representing an 11.11% depreciation of the INR from the Initial Exchange Rate. The Final Composite Level is 84.00, resulting in a 25.99% Composite Return. In this example, using the formula below, the Cash Settlement Value will equal \$1,324.90.

$$= \$1{,}000 + \$1{,}000 \times \quad 125.00\% \times \quad \frac{\text{Final Composite Level}}{\text{Initial Composite Level}} \quad 1$$

$$= \$1{,}000 + \$1{,}000 \times \quad 125.00\% \times \quad \frac{84.00}{66.67} \quad - 1$$

= \$1,000 + \$1,000 × [125.00% × 25.99%]

= \$1,000 + \$1,000 × 32.49%

= \$1,000 + \$324.90

= \$1,324.90

Example 4: The Futures Level Depreciates, but the Indian Rupee Appreciates.

In this example, the Futures Level generally falls and the Indian rupee appreciates over the term of the Notes. On the Calculation Date, the Futures Level is 2,100, representing a 30.00% decrease from the Futures Level on the Pricing Date. The Final Exchange Rate is 40.00, representing an 11.11% appreciation of the INR from the Initial Exchange Rate. The Final Composite Level is 52.50, resulting in a -21.25% Composite Return. In this example, using the formula below, the Cash Settlement Value will equal $787.50.

=$1,000 x Final Composite Level

Initial Composite Level

=$1,000 x 52.50

66.67

=$1,000 x 78.75%

=$757.50

Summary of Examples 1 Through 4

	Initial	Example 1	Example 2	Example 3	Example 4
Futures Level on Pricing Date	3,000				
Hypothetical Futures Level on Calculation Date		4,200	2,100	4,200	2,100
Initial Exchange Rate	45.00				
Hypothetical Final Exchange Rate		40.00	50.00	50.00	40.00
Initial Composite Level	66.67				
Final Composite Level		105.00	42.00	84.00	52.50
Composite Return		57.49%	-37.00%	25.99%	-21.25%
Principal Amount Returned		Yes	No	Yes	No
Cash Settlement Value per Note		$1,718.60	$630.00	$1,324.90	$787.50

Table of Hypothetical Cash Settlement Values

The following table reflects hypothetical Cash Settlement Values at maturity, assuming a Futures Level on the Pricing Date of 3,000 and Initial Exchange Rate of 45.00 and various hypothetical Final Exchange Rates.

The following table, as well as the illustrative examples set forth above, underscore that your return is dependent upon two independent variables: the Futures Level (settlement price of the Reference Futures Contract) and the Exchange Rate. An increase or decrease in the Futures Level may be wholly or partially offset by increases or decreases in the Exchange Rate.

Futures Level on Pricing Date	Hypothetical Futures Level	Hypothetical Final Exchange Rate	Composite Return	Cash Settlement Value Per Note	Return if Held to Maturity
3,000.00	4,500.00	48.00	40.63%	1,507.81	50.78%
3,000.00	4,500.00	45.00	50.00%	1,625.00	62.50%
3,000.00	4,500.00	42.00	60.71%	1,758.93	75.89%
3,000.00	3,750.00	48.00	17.19%	1,214.84	21.48%
3,000.00	3,750.00	45.00	25.00%	1,312.50	31.25%
3,000.00	3,750.00	42.00	33.93%	1,424.11	42.41%
3,000.00	3,300.00	48.00	3.13%	1,039.06	3.91%
3,000.00	3,300.00	45.00	10.00%	1,125.00	12.50%
3,000.00	3,300.00	42.00	17.86%	1,223.21	22.32%
3,000.00	3,000.00	48.00	-6.25%	937.50	-6.25%
3,000.00	3,000.00	45.00	0.00%	1,000.00	0.00%
3,000.00	3,000.00	42.00	7.14%	1,089.29	8.93%
3,000.00	2,250.00	48.00	-29.69%	703.13	-29.69%
3,000.00	2,250.00	45.00	-25.00%	750.00	-25.00%
3,000.00	2,250.00	42.00	-19.64%	803.57	-19.64%
3,000.00	1,500.00	48.00	-53.13%	468.75	-53.13%
3,000.00	1,500.00	45.00	-50.00%	500.00	-50.00%
3,000.00	1,500.00	42.00	-46.43%	535.71	-46.43%
3,000.00	750.00	48.00	-76.56%	234.38	-76.56%
3,000.00	750.00	45.00	-75.00%	250.00	-75.00%
3,000.00	750.00	42.00	-73.21%	267.86	-73.21%

Discontinuance of the Reference Futures Contract

If the Sponsor discontinues trading in the Reference Futures Contract and the Sponsor or another entity trades a successor or substitute futures contract that the Calculation Agent determines, in its sole discretion, to be comparable to the discontinued Reference Futures Contract (the new futures contract being referred to as the "Successor Futures Contract"), then the Futures Level will be determined by reference to the settlement price of the Successor Futures Contract on the relevant exchange or market for the Successor Futures Contract on the date that the Futures Level is to be determined.

If the Calculation Agent determines that a Successor Futures Contract shall be utilized for purposes of calculating the Final Composite Level, the Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Calculation Agent, may be necessary in order to arrive at the Final Composite Level. Upon any selection by the Calculation Agent of a Successor Futures Contract, the Calculation Agent will notify us and the Trustee, who will provide notice of the selection of the Successor Futures Contract to the registered holders of the Notes.

If the Sponsor discontinues trading in the Reference Futures Contract prior to, and such discontinuance is continuing on, the date that the Futures Level is to be determined and the Calculation Agent determines that no Successor Futures Contract is available at such time, then, on such date, the Calculation Agent may, in its sole discretion, accelerate the Maturity Date for the Notes, calculate the appropriate settlement price as specified below and notify us and the Trustee. The Futures Level will be computed by the Calculation Agent using the closing level of the Underlying Index as calculated and published by the Underlying Index Sponsor. If the Underlying Index Sponsor discontinues or suspends calculation or publication of the Underlying Index and the Underlying Index Sponsor or another entity publishes a successor or substitute index that the Calculation Agent determines, in its sole discretion, to be comparable to the discontinued or suspended Underlying Index (the new underlying index being referred to as the "Successor Underlying Index"), then the Calculation Agent will determine the appropriate settlement price by reference to the Successor Underlying Index. If the Underlying Index Sponsor has discontinued publication of the Underlying Index, and such discontinuance is continuing, the Calculation Agent will calculate the appropriate closing levels of the Underlying Index in accordance with the formula for and method of calculating the Underlying Index last in effect prior to such discontinuance, using the closing levels of such securities most recently comprising the Underlying Index at the close of the principal trading session on the primary organized exchange or trading system on which such securities trade, or, if trading in any relevant security has been materially suspended or limited, using its good faith estimate of the closing level of such security that would have prevailed but for such suspension or limitation and the Calculation Agent determines that no Successor Underlying Index is available.

If a Successor Futures Contract is selected, or the Calculation Agent calculates a settlement price as a substitute for the Reference Futures Contract as described above, that Successor Futures Contract or the settlement price will be used as a substitute for the Reference Futures Contract for all purposes, including for purposes of determining whether a Market Disruption Event has occurred or exists. Notwithstanding these alternative arrangements, discontinuance of the publication of the Reference Futures Contract or Underlying Index may adversely affect the value of the Notes.

All determinations made by the Calculation Agent will be at the sole discretion of the Calculation Agent, and will be conclusive for all purposes and binding on us and the beneficial owners of the Notes, absent manifest error.

Market Disruption Events

If there is a Market Disruption Event on the Calculation Date, the Calculation Date will be determined on the basis of the first succeeding Business Day on which there is no Market Disruption Event. In no event, however, will the final Calculation Date be a date that is postponed by more than two Business Days following the original date that, but for the Market Disruption Event, would have been the final Calculation Date. In that case, the second Business Day will be deemed to be the final Calculation Date, notwithstanding the Market Disruption Event, and the Calculation Agent will determine the Futures Level on that second Business Day (i) using a Successor Futures Contract, or (ii) if in the Calculation Agent's good faith determination no Successor Futures Contract is available, in accordance with the formula for and method of calculating the Reference Futures Contract in effect prior to the Market Disruption Event using the official closing level of the Underlying Index (if the Underlying Index is discontinued or materially suspended or limited and no Successor Underlying Index is selected, using the closing levels of such securities most recently comprising the Underlying Index at the close of the principal trading session on the primary organized exchange or trading system on which such securities trade, or, if trading in any relevant security has been materially suspended or limited, using its good faith estimate of the closing level of such security that would have prevailed but for such suspension or limitation) as of that second Business Day.

A "Market Disruption Event" means any of the following events, as determined by the Calculation Agent, in its sole discretion:

any material suspension of or limitation imposed on trading of the Reference Futures Contract by the Sponsor or otherwise, and whether by reason of movements in price exceeding limits permitted by the Sponsor or otherwise, (A) relating to the Reference Futures Contract or a Successor Futures Contract or (B) in any options contracts relating to the Reference Futures Contract or a Successor Futures Contract, as the case may be, on any exchange or principal trading market for such contract;

any event that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain settlement prices for the Reference Futures Contract or a Successor Futures Contract, or (B) to effect transactions in, or obtain settlement prices for, any options contracts relating to the Reference Futures Contract or a Successor Futures Contract, as the case may be, on any exchange or principal trading market for such contract;

the occurrence or existence of a suspension, absence or material limitation of trading for more than two hours of trading, or during the one-half hour period preceding the close of trading, on the relevant exchange in 20% or more of the stocks which then comprise the Underlying Index (without taking into account any extended or after-hours trading session);

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 stocks then constituting 20% or more of the level of the Underlying Index, during the last one hour preceding the close of the principal trading session on such relevant exchange are materially inaccurate;

the occurrence or existence of a suspension, absence or material limitation of trading, in each case, on any major exchange for more than two hours of trading, or during the one-half hour period preceding the close of the principal trading session on such market, whether by reason of movements in price otherwise exceeding levels permitted by the relevant exchange or otherwise, in option or futures contracts or exchange traded funds related to the Underlying Index;

the occurrence or existence of a suspension, absence, limitation, cancellation or repudiation of trading for more than two hours of trading, or during the one-half hour period preceding the close of trading on the relevant exchange in 20% or more of any options contracts relating to the stocks which then comprise 20% or more of the value of the Underlying Index;

in any other event, if the Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to manage, enter into or unwind all or a material portion of a hedge with respect to the Notes that we or our affiliates have effected or may effect as described in "Use of Proceeds and Hedging."

The following events will not be Market Disruption Events:

a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the SGX; or

a decision to permanently discontinue trading in an option or futures contracts relating to the Underlying Index.

Discontinuance of the Exchange Rate

If the Calculation Agent, in its sole discretion, determines that the Indian rupee has been removed from circulation or otherwise discontinued and banks dealing in foreign exchange and foreign currency deposits in Indian rupees have commenced trading a successor or substitute currency substantially similar to the Indian rupee that the Calculation Agent determines, in its sole discretion, to be comparable to the Indian rupee (the new currency being referred to as the "Successor Currency") (the number of such Successor Currency which can purchase one U.S. dollar on the relevant Calculation Date being referred to herein as the "Successor Exchange Rate"), then the Final Exchange Rate will be determined by reference to the Successor Exchange Rate at the time determined by the Calculation Agent on the markets for the Successor Currency on the Calculation Date.

If the Calculation Agent determines that a Successor Exchange Rate shall be utilized for purposes of calculating the Final Composite Level, the Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Calculation Agent, may be necessary in order to arrive at the Final Composite Level. Upon any selection by the Calculation Agent of a Successor Exchange Rate, the Calculation Agent will notify us and the Trustee, who will provide notice of the selection of the Successor Exchange Rate to the registered holders of the Notes.

If the Calculation Agent, in its sole discretion, determines that (i) it is unable to determine the Final Exchange Rate or Successor Exchange Rate for two consecutive Currency Business Days, or (ii) that the Indian rupee has been removed from circulation or otherwise discontinued and that no Successor Exchange Rate is available at such time, the Calculation Agent will determine, in its sole discretion, the value of the Exchange Rate to be used for the Final Exchange Rate. Notwithstanding the foregoing, if the Indian rupee has been removed from circulation or otherwise discontinued, and the Calculation Agent determines that no Successor Exchange Rate is available at such time and no Successor Exchange Rate is likely to become available, the Calculation Agent may, in its sole discretion, accelerate the Maturity Date for the Notes, calculate the Final Exchange Rate as specified above and calculate the Cash Settlement Value based upon such Final Exchange Rate.

If a Successor Exchange Rate is selected by the Calculation Agent, the Successor Exchange Rate will be used as a substitute for the Exchange Rate for all purposes, including for purposes of calculating the Cash Settlement Value and determining whether a Currency Disruption Event exists. Notwithstanding these alternative arrangements, discontinuance of the publication of the Exchange Rate may adversely affect the value of the Notes.

All determinations made by the Calculation Agent will be at the sole discretion of the Calculation Agent, and will be conclusive for all purposes and binding on us and the beneficial owners of the Notes, absent manifest error.

Currency Disruption Events

If there is a Currency Disruption Event on the date with respect to which the Final Exchange Rate is to be determined, the Final Exchange Rate will be determined on the basis of the first succeeding Currency Business Day on which there is no Currency Disruption Event. In no event, however, will the date with respect to which the Final Exchange Rate is determined be a date that is more than two Currency Business Days following the original date that, but for the Currency Disruption Event, would have been utilized to determine the Final Exchange Rate. In that case, the second Currency Business Day will be deemed to be the Calculation Date, notwithstanding the Currency Disruption Event, and the Calculation Agent will determine the Final Exchange Rate on that second Currency Business Day in accordance with the method of calculating the Final Exchange Rate in effect prior to the Currency Disruption Event (that would have prevailed but for such suspension or limitation) as of that second Currency Business Day.

A "Currency Disruption Event" means any of the following events, as determined by the Calculation Agent, in its sole discretion:

the occurrence or existence of any condition or event (other than an event described immediately below) which the Calculation Agent determines is material that, at any time, disrupts or impairs (as determined by the Calculation Agent in its sole discretion) the ability of market participants in general through legal channels to (A) convert Indian rupees or any Successor Currency into U.S. dollars, (B) deliver U.S. dollars from accounts within the local jurisdiction for Indian rupees or any Successor Currency, to accounts outside such jurisdiction, or (C) to deliver Indian rupees or any Successor Currency between accounts within the local jurisdiction to a person that is a non-resident of such jurisdiction; or

in any other event, if the Calculation Agent determines in its sole discretion, that the event materially interferes with our ability or the ability of any of our affiliates to enter into or unwind all or a material portion of a hedge with respect to the Notes that we or our affiliates have effected or may effect as described in "Use of Proceeds and Hedging."

Redemption; Defeasance

The Notes are not subject to redemption before maturity, and are not subject to the defeasance provisions described in the section "Description of Debt Securities Defeasance" in the accompanying prospectus.

Events of Default and Acceleration

If an Event of Default (as defined in the accompanying prospectus) with respect to any Notes has occurred and is continuing, then the amount payable to you, as a beneficial owner of a Note, upon any acceleration permitted by the Notes will be equal to the Cash Settlement Value as though the date of early repayment were the Maturity Date of the Notes, adjusted by an amount equal to any losses, expenses and costs to us of unwinding any underlying or related hedging or funding arrangements, all as determined by the Calculation Agent in its sole and absolute discretion. If a bankruptcy proceeding is commenced in respect of us, the claims of the holder of a Note may be limited under Title 11 of the United States Code.

Same-Day Settlement and Payment

Settlement for the Notes will be made by Bear Stearns in immediately available funds. Payments of the Cash Settlement Value will be made by us in immediately available funds, so long as the Notes are maintained in book-entry form.

Calculation Agent

The Calculation Agent for the Notes will be Bear Stearns. 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 and provided the Calculation Agent shall be required to act in good faith, be conclusive for all purposes and binding on you and us. Manifest error by the Calculation Agent, or any failure by it to act in good faith, in making a determination adversely affecting the payment of principal, interest or premium on principal to Holders would entitle the Holders, or the Trustee acting on behalf of the Holders, to exercise rights and remedies available under the Indenture. If the Calculation Agent uses its discretion to make a determination, the Calculation Agent will notify the Company and the Trustee, who will provide notice to the registered holders of the Notes. Because the Calculation Agent is an affiliate of ours, potential conflicts of interest may exist between you and the Calculation Agent, including with respect to certain determinations and judgments that the Calculation Agent must make in determining the Cash Settlement Value. Bear Stearns is obligated to carry out its duties and functions as Calculation Agent in good faith and using its reasonable judgment.

DESCRIPTION OF THE REFERENCE FUTURES CONTRACT

General

We obtained all information regarding the Reference Futures Contract and the Singapore Exchange Limited ("SGX") contained in this pricing supplement, including the Reference Futures Contract's method of settlement, from publicly available sources. Such information reflects the policies of, and is subject to change by, the Sponsor. We have not independently verified this information and we do not assume any responsibility for the accuracy or completeness of this information. You, as an investor in the Notes, should make your own investigation into the Reference Futures Contract and the Sponsor. The Sponsor is not involved in any way in the offer of the Notes and has no obligation to consider your interests as a holder of the Notes. The Sponsor has no obligation to continue to provide a trading market for the Reference Futures Contract and may discontinue trading in the Reference Futures Contract at any time in its sole discretion. The consequences of any such discontinuance are described in the section entitled "Description of the Notes Discontinuance of the Reference Futures Contract."

SGX CNX Nifty Index Futures Contract

The Reference Futures Contract is the SGX CNX Nifty Index Futures Contract, which is traded on the SGX. The stock index underlying the Reference Futures Contract is the S&P CNX Nifty Index (the "Underlying Index"). The settlement price of the Reference Futures Contract for any Business Day is determined by the Sponsor, based on the NSE CNX Nifty Index futures contract last traded price at the close of their session (absent unusual circumstances). Although the Underlying Index is calculated in the local currency, the Indian rupee, the Reference Futures Contract is denominated in U.S. dollars. The Reference Futures contract expires on a monthly basis. On the expiration date of the Reference Futures Contract, the settlement price of such contract is expected to equal the closing level of the Underlying Index, denominated in U.S. dollars and rounded to two decimal places; however, there are no assurance that this will occur. In addition, the expiration date of the Reference Futures Contract may occur on a different date than the Calculation Date.

The SGX, located in Singapore, was established as the Asia-Pacific's first demutualised and integrated securities and derivatives exchange on December 1, 1999 with the merger of the Stock Exchange of Singapore and the Singapore International Monetary Exchange. On November 23, 2000, the SGX become a publicly listed company. The SGX is closed for trading in the Reference Futures Contract on days when the National Stock Exchange of India Ltd. is closed for trading because of scheduled India holidays.

Exchange-traded futures contract

The Reference Futures Contract is an exchange-traded futures contract. An exchange-traded futures contract is a bilateral agreement providing for the purchase and sale of a specified type and quantity of a commodity or financial instrument during a stated delivery month for a fixed price. A futures contract provides for a specified settlement month in which the financial instrument is to be delivered by the seller (whose position is described as "short") and acquired by the purchaser (whose position is described as "long") or in which the cash settlement amount is to be made.

There is no purchase price paid or received on the purchase or sale of a futures contract. Instead, an amount of cash or cash equivalents must be deposited with the broker as "initial margin." This amount varies based on the requirements imposed by the applicable exchange clearing house and the broker, but may be as low as 5% or less of the value of the futures contract. This margin deposit provides collateral for the obligations of the parties to the futures contract.

By depositing margin in the most advantageous form (which may vary depending on the exchange, clearing house or broker involved), a market participant may be able to earn interest on its margin funds, thereby increasing the potential total return that may be realized from trading futures contracts. The market participant normally makes to, and receives from, the broker subsequent payments on a daily basis as the price of the futures contract fluctuates. These payments are called "variation margin" and make the existing positions in the futures contract more or less valuable, a process known as "marking to market."

U.S. contract markets, as well as brokers and market participants, are subject to regulation by the Commodity Futures Trading Commission. Futures markets outside the United States, such as the SGX, are generally subject to regulation by foreign regulatory authorities. However, the structure and nature of trading on non-U.S. exchanges may differ from the foregoing description and foreign regulation may not always be comparable to U.S. regulation.

S&P CNX Nifty Index

We obtained all information regarding the S&P CNX Nifty Index (the "Underlying Index") and the India Index Services and Products Ltd. ("IISL" or "Underlying Index Sponsor") contained in this pricing supplement from materials published by the IISL or other publicly available sources. Such information reflects the policies of, and is subject to change by, the Underlying Index Sponsor. We have not independently verified this information and we do not assume any responsibility for the accuracy or completeness of this information. You, as an investor in the Notes, should make your own investigation into the Underlying Index and the Underlying Index Sponsor. The Underlying Index Sponsor is not involved in any way in the offer of the Notes and has no obligation to consider your interests as a holder of the Notes. The Underlying Index Sponsor has no obligation to continue to publish the Underlying Index, and may discontinue publication of the Underlying Index at any time in its sole discretion. The consequences of any such discontinuance are described in the section entitled "Description of the Notes Discontinuance of the Reference Futures Contract."

The Underlying Index is calculated, published and disseminated by the IISL, a joint venture between the National Stock Exchange of India Limited ("NSE") and CRISIL Ltd. (formerly the Credit Rating Information Services of India Limited). IISL has a consulting and licensing agreement with Standard & Poor's (S&P). The Underlying Index is a diversified market capitalization weighted index comprising 50 securities traded on the NSE. The Underlying Index covers 25 sectors of the Indian economy and, as of March 31, 2006, consists of stocks representing a market capitalization of 56.50% of the total market capitalization of the Indian stock markets.

The Underlying Index is computed using a market capitalization weighted method, wherein the level of the Underlying Index reflects the total market value of all the stocks in the Underlying Index relative to a particular base period. The base period is the close of trading on November 3, 1995, which marked the completion of one year of operations of NSE's Capital Market Segment. The base value of the Underlying Index has been set at 1000 with base capital of 2.06 trillion Indian rupees.

According to the IISL, the selection criteria for the Underlying Index ensure that only large and highly liquid securities form part of the index. The selection criteria are based on liquidity, market capitalization and free float. Companies eligible for inclusion in the Underlying Index must have an average monthly market capitalization of 5 billion Indian rupees (approximately U.S. $110 million) or more during the prior six months and have at least 12% of their stock held by persons other than the promoters and associated entities, where identifiable, of the issuer.

In addition to price bands that exist for certain securities, the NSE has index-based, market-wide "circuit breakers." The circuit breakers apply when the Underlying Index fluctuates in value by more than 10%, 15% or 20%. Once triggered, all equity and equity derivative markets cease to trade nationwide.

Historical Data on the Underlying Index

The following table sets forth the closing prices of the Underlying Index from January 2001 through May 2006. We obtained the levels listed below from public sources and believe such information to be accurate. The results shown should not be considered as a representation of the gain or loss that may be generated in the future by transactions linked to the Underlying Index. The actual performance of the Underlying Index over the life of the Notes may bear little relation to the historical performance shown below.

Any historical upward or downward trend in the closing prices of the Underlying Index during any period shown in the following table is not an indication that the value of the Underlying Index is more or less likely to increase or decrease at any time during the term of the Notes.

	2001	2002	2003	2004	2005	2006
January	1,371.70	1,075.40	1,041.85	1,809.75	2,057.60	3,001.10
February	1,351.40	1,142.05	1,063.40	1,800.30	2,103.25	3,074.70
March	1,148.20	1,129.55	978.20	1,771.90	2,035.65	3,402.55
April	1,125.25	1,084.50	934.05	1,796.10	1,902.50	3,557.60
May	1,167.90	1,028.80	1,006.80	1,483.60	2,087.55	3,071.05
June	1,107.90	1,057.80	1,134.15	1,505.60	2,220.60	
July	1,072.85	958.90	1,185.85	1,632.30	2,312.30	
August	1,053.75	1,010.60	1,356.55	1,631.75	2,384.65	
September	1,048.05	963.15	1,417.10	1,745.50	2,601.40	
October	913.85	951.40	1,555.90	1,786.90	2,370.95	
November	971.90	1,050.15	1,615.25	1,958.80	2,652.25	
December	1,067.15	1,093.50	1,879.75	2,080.50	2,836.55	

License Agreement

We expect to enter into a non-exclusive license agreement with the Sponsor providing for the license to us and certain of our affiliated or subsidiary companies, in exchange for a fee, of the right to use the Reference Futures Contract, which is owned and traded in the Sponsor's market, in connection with certain products, including the Notes.

We have no written agreement or other understanding with or relationship to the Underlying Index Sponsor with respect to the Notes offering, or otherwise.

The expected license agreement between the Sponsor and us provides that the following language must be set forth in this pricing supplement:

The Note is not sponsored, endorsed, sold or promoted by SGX or its licensors. SGX makes no representation or warranty, express or implied, to the owners of the Note(s) or any member of the public regarding the advisability of investing in securities generally or in the Note(s) particularly or the ability of the Reference Futures Contract to track the general stock market performance in India. SGX makes no express or implied warranties and expressly disclaims all warranties of merchantability or fitness for a particular purpose. SGX and their respective licensors shall not be liable (including in negligence) for any and all loss arising out of use of the Note by any person. SGX shall have no liability for any errors, omissions, or interruptions relating to the Reference Futures Contract. Without limiting any of the foregoing in no event shall SGX have any liability for any special, punitive, indirect or consequential damages (including lost profits), even if notified of the possibility of such damages. "SGX" is a trade mark of Singapore Exchange Limited and is used under a license. Any unauthorized use by third parties of SGX trademarks is strictly prohibited.

DESCRIPTION OF THE EXCHANGE RATE

General

We obtained all information regarding the Exchange Rate contained in this pricing supplement from publicly available information without independent verification. The consequences of a discontinuation of the Exchange Rate are described above in the section entitled "Description of the Notes Discontinuance of the Exchange Rate." We do not assume any responsibility for the accuracy or completeness of any information relating to the Exchange Rate.

The rupee is the official currency of India, and the Exchange Rate is the relationship between the Indian rupee and the U.S. dollar. The Exchange Rate is a foreign exchange spot price that measures the relative value of the Indian rupee against the U.S. dollar, expressed as the number of Indian rupee which can be exchanged for one U.S. dollar. The Exchange Rate is expressed as is conventional in the foreign currency market. If the value of the Indian rupee depreciates against the U.S. dollar, the Exchange Rate increases, because it takes more Indian rupees to purchase one U.S. dollar. If the value of the Indian rupee appreciates against the U.S. dollar, the Exchange Rate decreases, because it takes fewer Indian rupees to purchase one U.S. dollar.

Foreign Exchange Market

The foreign exchange market is the largest and most liquid financial market in the world. The foreign exchange market is predominantly an over-the-counter market, with no fixed location, that operates 24 hours a day, seven days a week. London, New York City and Tokyo are the principal geographic centers of the world-wide foreign exchange market. Other, smaller markets include Singapore, Zurich and Frankfurt.

There are three major kinds of transactions in the traditional foreign exchange markets: spot transactions, outright forwards and foreign exchange swaps. "Spot" trades are foreign exchange transactions that settle typically within two business days with the counterparty to the trade. "Forward" trades are transactions that settle on a date beyond spot, and "swap" transactions are transactions in which two parties exchange two currencies on one or more specified dates over an agreed period and exchange them again when the period ends. Currency futures are transactions in which an institution buys or sells a standardized amount of foreign currency on an organized exchange for delivery on one of several specified dates, but typically closes out the contract prior to making or taking delivery. Currency futures are traded in a number of regulated markets, including the International Monetary Market division of the Chicago Mercantile Exchange, the Singapore Exchange Derivatives Trading Limited (formerly the Singapore International Monetary Exchange and a subsidiary of the Singapore Exchange Limited) and the London International Financial Futures Exchange.

Participants in the foreign exchange market have various reasons for participating. Multinational corporations and importers need foreign currency to acquire materials or goods from abroad. Banks and multinational corporations sometimes require specific wholesale funding for their commercial loan or other foreign investment portfolios. Some participants hedge open currency exposure through off-balance-sheet products.

The primary market participants in foreign exchange are banks (including government-controlled central banks), investment banks, money managers, multinational corporations and institutional investors. The most significant participants are the major international commercial banks that act both as brokers and as dealers. In their dealer role, these banks maintain long or short positions in a currency and seek to profit from changes in exchange rates. In their broker role, the banks handle buy and sell orders from commercial customers, such as multinational corporations. The banks earn commissions when acting as agent. They profit from the spread between the rates at which they buy and sell currency for customers when they act as principal.

Historical Data on the Exchange Rate

The following table sets forth the historical month-end values of the Exchange Rate, expressed as the number of Indian rupees per one U.S. Dollar, for January 2001 through May 2006. The historical Exchange Rates should not be taken as an indication of the future Exchange Rates.

Indian rupees per one U.S. dollar

	2001	2002	2003	2004	2005	2006
January	46.400	48.520	47.795	45.265	43.720	44.118
February	46.550	48.740	47.670	45.235	43.675	44.390
March	46.615	48.815	47.470	43.600	43.745	44.623
April	46.830	48.950	47.325	44.500	43.535	44.880
May	47.000	49.045	47.080	45.465	43.700	46.296
June	47.040	48.885	46.488	46.060	43.485	
July	47.135	48.670	46.142	46.470	43.480	
August	47.135	48.510	45.840	46.354	44.150	
September	47.860	48.375	45.760	45.950	44.015	
October	48.005	48.360	45.320	45.388	45.164	
November	47.925	48.320	45.770	44.635	45.929	
December	48.245	47.975	45.625	43.460	45.050	

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Cadwalader, Wickersham & Taft LLP, special U.S. tax counsel to us, the following discussion summarizes certain U.S. federal income tax consequences of the purchase, beneficial ownership and disposition of notes.

For purposes of this summary, a "U.S. holder" is a beneficial owner of a note that is:

- an individual who is a citizen or a resident of the United States, for federal income tax purposes;
- a corporation (or other entity that is treated as a corporation for federal tax purposes) that is created or organized in or under the laws of the United States or any State thereof (including the District of Columbia);
- an estate whose income is subject to federal income taxation regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over its administration, and one or more United States persons, for federal income tax purposes, have the authority to control all of its substantial decisions.

For purposes of this summary, a "non-U.S. holder" is a beneficial owner of a note that is:

- a nonresident alien individual for federal income tax purposes;
- a foreign corporation for federal income tax purposes;
- an estate whose income is not subject to federal income tax on a net income basis; or
- a trust if no court within the United States is able to exercise primary jurisdiction over its administration or if United States persons do not have the authority to control all of its substantial decisions.

An individual may, subject to certain exceptions, be deemed to be a resident of the United States for federal income tax purposes by reason of being present in the United States for at least 31 days in the calendar year and for an aggregate of at least 183 days during a three year period ending in the current calendar year (counting for such purposes all of the days present in the current year, one third of the days present in the immediately preceding year, and one sixth of the days present in the second preceding year).

This summary is based on interpretations of the Internal Revenue Code of 1986, as amended (the "Code"), regulations issued thereunder, and rulings and decisions currently in effect (or in some cases proposed), all of which are subject to change. Any such change may be applied retroactively and may adversely affect the federal income tax consequences described herein. This summary addresses only holders that purchase notes at initial issuance, and own notes as capital assets and not as part of a "straddle," "hedge," "synthetic security," or a "conversion transaction" for federal income tax purposes or as part of some other integrated investment. This summary does not discuss all of the tax consequences that may be relevant to particular investors or to investors subject to special treatment under the federal income tax laws (such as banks, thrifts or other financial institutions; insurance companies; securities dealers or brokers, or traders in securities electing mark-to-market treatment; regulated investment companies or real estate investment trusts; small business investment companies; S corporations; investors that hold their notes through a partnership or other entity treated as a partnership for federal tax purposes; investors whose functional currency is not the U.S. dollar; certain former citizens or residents of the United States; persons subject to the alternative minimum tax; retirement plans or other tax-exempt entities, or persons holding the notes in tax-deferred or tax-advantaged accounts; or "controlled foreign corporations" or a "passive foreign investment companies" for federal income tax purposes). This summary also does not address the tax consequences to shareholders, or other equity holders in, or beneficiaries of, a holder, or any state, local or foreign tax consequences of the purchase, ownership or disposition of the notes. Persons considering the purchase of notes should consult their own tax advisors

concerning the application of federal income tax laws to their particular situations as well as any consequences of the purchase, beneficial ownership and disposition of notes arising under the laws of any other taxing jurisdiction.

PROSPECTIVE PURCHASERS OF NOTES SHOULD CONSULT THEIR TAX ADVISORS AS TO THE FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF NOTES.

Federal Income Tax Treatment to U.S. Holders

General. There are no statutory provisions, regulations, published rulings or judicial decisions addressing or involving the treatment, for U.S. federal income tax purposes, of the Notes or securities with terms substantially the same as the Notes. Accordingly, the proper U.S. federal income tax treatment of the Notes is uncertain.

Characterization of the Notes. We intend (in the absence of an administrative determination or judicial ruling to the contrary) to treat the Notes for all tax purposes as pre-paid cash-settled forward contracts linked to the value of the Reference Futures Contract and, where required, to file information returns with the Internal Revenue Service (the "IRS") in accordance with such treatment.

Payment on the Maturity Date. Assuming the Notes are treated as pre-paid cash-settled forward contracts, upon the receipt of cash on the Maturity Date of the Notes, a U.S. Holder will recognize long-term capital gain or loss equal to the difference between the amount of cash received less the U.S. Holder's tax basis in the Notes (which, in general, will be the amount the U.S. Holder paid for its Notes). The deductibility of capital losses is subject to certain limitations.

Sale or Exchange of the Notes. Assuming the Notes are treated as pre-paid cash-settled forward contracts, upon a sale or exchange of a Note prior to the Maturity Date, a U.S. Holder should generally recognize capital gain or loss equal to the difference between the amount realized on such sale or exchange and such U.S. Holder's tax basis in the Notes sold or exchanged. Any such capital gain or loss will be long-term capital gain or loss, as the case may be, if the U.S. Holder held the Notes for more than one year at the time of the sale or exchange. As discussed above, the deductibility of capital losses is subject to certain limitations.

The treatment of the Notes described above is not binding on the IRS or the courts. No statutory, judicial or administrative authority directly addresses the treatment of the Notes or instruments similar to the Notes for U.S. federal income tax purposes, and no ruling is being requested from the IRS with respect to the Notes.

Possible Alternative Tax Treatments of an Investment in the Notes

Because there are no regulations, published rulings, or judicial decisions addressing the treatment for federal income tax purposes of securities with terms that are substantially the same as those of the Notes, other treatments are possible. For example, it is possible that each Note could be treated as subject to the rules and regulations relating to foreign currency instruments, in which case all or a portion of the gain or loss recognized with respect to the Notes could be treated as foreign currency exchange gain or loss, which is treated as ordinary income or loss rather than capital gain.

Second, it is possible that each Note could be treated as an interest in the Reference Futures Contract and a deposit with us of cash in an amount equal to the principal amount of a Note to secure the U.S. Holder's obligation to settle the Reference Futures Contract. U.S. Holders should consult their tax advisors as to the consequences to them of being treated as owing an interest in the Reference Futures Contract. Also, in this case, a U.S. Holder could be required to accrue interest income or original issue discount on a current basis in respect of the deposit.

Third, it is possible that the Notes could be treated as "contingent payment debt instruments" for federal income tax purposes. If the IRS were successful in asserting that the Notes are contingent payment debt instruments, the timing and character of income thereon would be significantly affected. For example, a U.S. Holder would be required to include in income in each year an amount equal to the "comparable yield" of the Notes, which is generally equal to the yield at which we would issue a noncontingent debt instrument with terms and conditions similar to the Notes. In addition, a "projected payment schedule" would be computed as of the closing date that would produce the comparable yield. Furthermore, any gain realized on the Maturity Date or upon an earlier sale or exchange of the Notes would generally be treated as ordinary income, and any loss realized on the Maturity Date or upon a sale or other disposition of the Notes would be treated as ordinary loss to the extent of interest included as income in the current or previous taxable years by the U.S. Holder in respect of the Notes, and capital loss thereafter.

Fourth, it is possible that the IRS could assert that the Notes should be subject to the "constructive ownership" rules set forth in Section 1260 of the Code. Specifically, Section 1260 of the Code treats a taxpayer owning certain types of derivative positions in property as having "constructive ownership" in that property, with the result that all or a portion of the long-term capital gain recognized by such taxpayer with respect to the derivative position may be recharacterized as ordinary income. In addition, Section 1260 would impose an interest charge on the long-term capital gain that was recharacterized. Section 1260 in its current form would not apply to the Notes. However, Section 1260 authorizes the Treasury Department to promulgate regulations (possible with retroactive effect) to expand the application of the "constructive ownership" regime. There is no assurance that the Treasury Department will not promulgate regulations to apply the regime to the Notes. If Section 1260 were to apply to the Notes, you would be required to treat all or a portion of the long-term capital gain (if any) that you recognize on sale, exchange, maturity, or other taxable disposition of the Notes as ordinary income, but only to the extent such long-term capital gain exceeds the long-term capital gain that you would have recognized if you had made a direct investment in shares of companies that are included in the Underlying Index during the period in which you hold the Notes and had actually sold covered calls in the manner that is hypothetically done in computing the Underlying Index. It is possible that these rules could apply, for example, to recharacterize long-term capital gain on the Notes in whole or in part to the extent that a holder of shares of the relevant companies would have earned dividend income therefrom or would have recognized short-term capital gain from the disposition of the shares upon rebalancing of the Underlying Index between the issue date for the Notes and the date of the disposition of the Notes.

Certain proposed Treasury regulations require the accrual of income on a current basis for contingent payments made under certain "notional principal contracts." The preamble to the proposed regulations states that the "wait and see" method of accounting does not properly reflect the economic accrual of income on those contracts, and requires current accrual of income for some contracts already in existence. Although the proposed regulations do not apply to pre-paid forward contracts, the preamble to the proposed regulations expresses the view that similar timing issues exist in the case of pre-paid forward or other forward contracts. If the IRS or the U.S. Treasury Department publishes future guidance requiring current economic accrual for contingent payments on pre-paid forward or other executory contracts, it is possible that a U.S. Holder could be required to accrue income over the term of the Notes.

Other alternative U.S. federal income tax characterizations or treatments of the Notes are possible, and if applied could also affect the timing and the character of the income or loss with respect to the Notes. Prospective purchasers are urged to consult their tax advisors regarding the U.S. federal income tax consequences of an investment in the Notes.

Federal Income Tax Consequences to Non-U.S. Holders

As used in this discussion, the term "Non-U.S. Holder" means a beneficial owner of a Note that is, for U.S. federal income tax purposes:

- a nonresident alien individual,
- a foreign corporation,
- an estate whose income is not subject to U.S. federal income tax on a net income basis, or
- a trust if no court within the United States is able to exercise primary jurisdiction over its administration or if no United States persons have the authority to control all of its substantial decisions.

We do not expect payments on the Notes to Non-U.S. Holders to be subject to U.S. federal income or withholding tax if the following conditions are satisfied:

- the Non-U.S. Holder does not actually or constructively own 10% or more of the total combined voting power of all classes of our stock entitled to vote,
- the Non-U.S. Holder is not a controlled foreign corporation for U.S. federal income tax purposes that is related to us through actual or constructive ownership,
- the Non-U.S. Holder is not a bank receiving interest on a loan made in the ordinary course of its trade or business,
- the Reference Futures Contract is actively traded within the meaning of section 871(h)(4)(C)(v) of the Code, and
- the payments are not effectively connected with a trade or business conducted by the Non-U.S. Holder in the United States and either (a) the Non-U.S. Holder provides a correct, complete and executed IRS Form W-8BEN, Form W-8EXP or Form W-8IMY (or successor form) with all of the attachments required by the IRS, or (b) the Non-U.S. Holder holds its Note through a qualified intermediary (generally a foreign financial institution or clearing organization or a non-U.S. branch or office of a U.S. financial institution or clearing organization that is a party to a withholding agreement with the IRS) which has provided to us an IRS Form W-8IMY stating that it is a qualified intermediary and has received documentation upon which it can rely to treat the payment as made to a foreign person.

We expect that the Reference Futures Contract will be treated as actively traded within the meaning of section 871(h)(4)(C)(v). If any of the above conditions are not satisfied, payments on the Notes may be subject to a 30% withholding tax when paid, unless an income tax treaty reduces or eliminates the tax or the interest is effectively connected with the conduct of a U.S. trade or business and the Non-U.S. Holder provides a correct, complete and executed IRS Form W-8ECI.

We do not expect gain realized on the sale, exchange or retirement of the Notes by a Non-U.S. Holder to be subject to U.S. federal income tax, unless:

- the gain with respect to the Notes is effectively connected with a trade or business conducted by the Non-U.S. Holder in the United States, or
- the Non-U.S. Holder is a nonresident alien individual who holds the Notes as a capital asset and is present in the United States for more than 182 days in the taxable year of the sale and certain other conditions are satisfied.

A Note held by an individual who at death is a Non-U.S. Holder will not be includible in the Non-U.S. Holder's gross estate for U.S. federal estate tax purposes if payments on the Notes to the Non-U.S. Holder would not have been subject to U.S. federal income or withholding tax at the time of death under the tests described above.

As discussed above, alternative characterizations of the Notes for U.S. federal income tax purposes are possible. Accordingly, it is possible that the IRS could characterize the Notes in an alternative manner, such as representing an ownership interest in the underlying components referenced in the Underlying Index. Moreover, an alternative characterization of the Notes could apply by reason of a change or clarification of the law, by regulation. In either case, payments with respect to the Notes could be subject to withholding tax. In this event, we will withhold tax at the applicable statutory rate and will not pay "additional amounts" or otherwise "gross-up" the Non-U.S. Holders. Prospective Non-U.S. Holders of the Notes should consult their own tax advisors in this regard.

Backup Withholding and Information Reporting

A beneficial owner of a Note may be subject to information reporting and to backup withholding at the applicable statutory rate of U.S. federal income tax on certain amounts paid to the beneficial owner unless such beneficial owner provides proof of an applicable exemption or a correct taxpayer identification number, and otherwise complies with applicable requirements of the backup withholding rules. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's U.S. federal income tax provided the required information is furnished to the IRS.

The preceding discussion is only a summary of certain of the tax implications of an investment in Notes. Prospective investors are urged to consult with their own tax advisors prior to investing to determine the tax implications of such investment in light of each such investor's particular circumstances.

CERTAIN ERISA CONSIDERATIONS

Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), prohibits the borrowing of money, the sale of property and certain other transactions involving the assets of plans that are qualified under the Code ("Qualified Plans") or individual retirement accounts ("IRAs") and persons who have certain specified relationships to them. Section 406 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), prohibits similar transactions involving employee benefit plans that are subject to ERISA ("ERISA Plans"). Qualified Plans, IRAs and ERISA Plans are referred to as "Plans."

Persons who have such specified relationships are referred to as "parties in interest" under ERISA and as "disqualified persons" under the Code. "Parties in interest" and "disqualified persons" encompass a wide range of persons, including any fiduciary (for example, an investment manager, trustee or custodian), any person providing services (for example, a broker), the Plan sponsor, an employee organization any of whose members are covered by the Plan, and certain persons related to or affiliated with any of the foregoing.

The purchase and/or holding of the Notes by a Plan with respect to which the Company and/or Bear Stearns is a fiduciary and/or a service provider (or otherwise is a "party in interest" or "disqualified person") would constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, unless such Notes are acquired or held pursuant to and in accordance with an applicable statutory or administrative exemption. The Company and several of its subsidiaries, such as Bear Stearns, are each considered a "disqualified person" under the Code or "party in interest" under ERISA with respect to many Plans, although the Company is not a "disqualified person" with respect to an IRA simply because the IRA is established with Bear Stearns or because Bear Stearns provides brokerage to the IRA, and neither the Company nor Bear Stearns can be a "party in interest" to any IRA other than certain employer-sponsored IRAs as only employer-sponsored IRAs are covered by ERISA.

Applicable exemptions may include certain prohibited transaction class exemptions (for example, Prohibited Transaction Class Exemption ("PTCE") 84-14 relating to qualified professional asset managers, PTCE 96-23 relating to certain in-house asset managers, PTCE 91-38 relating to bank collective investment funds, PTCE 90-1 relating to insurance company separate accounts and PTCE 95-60 relating to insurance company general accounts. A fiduciary of a Plan purchasing the Notes, or in the case of certain IRAs, the grantor or other person directing the purchase of the Notes for the IRA, shall be deemed to represent that its purchase, holding, and disposition of the Notes will not constitute a prohibited transaction under ERISA or Section 4975 of the Code for which an exemption is not available.

A fiduciary who causes an ERISA Plan to engage in a non-exempt prohibited transaction may be subject to liability or a penalty under ERISA. Code Section 4975 generally imposes an excise tax on disqualified persons who engage, directly or indirectly, in similar types of transactions with the assets of Plans subject to such Section.

In accordance with ERISA's general fiduciary requirement, a fiduciary with respect to any ERISA Plan who is considering the purchase of the Notes on behalf of such plan should determine whether such purchase is permitted under the governing plan document and is prudent and appropriate for the ERISA Plan in view of its overall investment policy and the composition and diversification of its portfolio. Plans established with, or for which services are provided by, the Company and/or Bear Stearns should consult with counsel prior to making any such acquisition.

Certain employee benefit plans, such as governmental plans (as defined in Section 3(32) of ERISA), and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA), are not subject to Section 406 of ERISA or Section 4975 of the Code. However, such plans may be subject to the provisions of applicable federal, state or local law ("Similar Law") materially similar to the foregoing provisions of ERISA or the Code. Fiduciaries of such plans should consider applicable Similar Law when investing in the notes. Each fiduciary of such a plan will be deemed to represent that the plan's acquisition and holding of the notes will not result in a non-exempt violation of applicable Similar Law.

The sale of Notes to a Plan or a Similar Plan is in no respect a representation by the Company or any of its affiliates that such an investment meets all relevant legal requirements with respect to investments by Plans or Similar Plans generally or any particular Plan or Similar Plan, or that such an investment is appropriate for a Plan or Similar Plan generally or any particular Plan or Similar Plan.

USE OF PROCEEDS AND HEDGING

At closing we will transfer the net proceeds from the sale of the Notes to BSIL, for its general corporate purposes. In addition, BSIL, on or before the date of this pricing supplement, will enable us to hedge our anticipated exposure in connection with the Notes by the purchase and sale of exchange-traded and over-the-counter options on, or other derivative or synthetic instruments related to, the Reference Futures Contract, the Exchange Rate, the Underlying Index or the securities comprising the Underlying Index. At various times after the initial offering and before the maturity of the Notes, depending on market conditions (including the value of the Index), in connection with hedging with respect to the Notes, we expect that BSIL will increase or decrease those initial hedging positions using dynamic hedging techniques and may take long or short positions in the Reference Futures Contract, the Exchange Rate, the Underlying Index or the securities comprising the Underlying Index or in listed or over-the-counter options contracts in, or other derivative or synthetic instruments related to any of the foregoing. In addition, BSIL may periodically purchase or otherwise acquire a long or short position in the Notes and may, in our or its discretion, hold or resell such Notes. BSIL may also take positions in other types of appropriate financial instruments that may become available in the future. If BSIL has a long hedge position in the Reference Futures Contract, the Exchange Rate, the Underlying Index or the securities comprising the Underlying Index or options contracts in, or other derivative or synthetic instruments related to any of the foregoing, then BSIL may liquidate a portion of its holdings at or about the time of the maturity of the Notes. Depending on, among other things, future market conditions, the total amount and the composition of such positions are likely to vary over time. BSIL will not be able to ascertain our profits or losses from any hedging position until such position is closed out and any offsetting position or positions are taken into account. Although we have no reason to believe that such hedging activity will have a material effect on the price of such options, futures contracts or options on futures contracts or on the value of the Reference Futures Contract, the Exchange Rate, the Underlying Index or the securities comprising the Underlying Index, we cannot guarantee that BSIL will not affect such prices or value as a result of its hedging activities. You should also refer to "Use of Proceeds" in the accompanying prospectus.

SUPPLEMENTAL PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in the Distribution Agreement dated as of June 19, 2003, as amended, we have agreed to sell to Bear Stearns, as principal, and Bear Stearns has agreed to purchase from us, the aggregate principal amount of Notes set forth opposite its name below.

Agent	Principal Amount of Notes
Bear, Stearns & Co. Inc.	$ [ ]
Total	$ [ ]

We may grant Bear Stearns an option, exercisable for 30 days from the date of this pricing supplement, to purchase from us up to an additional $[ ] of Notes at the public offering price set forth on the cover page of this pricing supplement to cover any over-allotments. If this option is exercised, in whole or in part, subject to certain conditions, Bear Stearns will become obligated to purchase from us and we will be obligated to sell to Bear Stearns an amount of the Notes equal to the amount of the over-allotment exercised.

Bear Stearns intends to initially offer $[ ] of the Notes to the public at the offering price set forth on the cover page of this pricing supplement (except that investors who purchase an aggregate principal amount of at least $1,000,000 of Notes will be entitled to purchase such Notes at a reduced price as described on the cover page), and to subsequently resell the remaining face amount of the Notes at prices related to the prevailing market prices at the time of resale. In the future, Bear Stearns may repurchase and resell the Notes in market-making transactions, with resales being made at prices related to prevailing market prices at the time of resale or at negotiated prices. We will offer the Notes to Bear Stearns without a discount.

Payment of the purchase price shall be made in funds that are immediately available in New York City.

The agents may be deemed to be "underwriters" within the meaning of the Securities Act. We have agreed to indemnify the agents against or to make contributions relating to certain civil liabilities, including liabilities under the Securities Act. We have agreed to reimburse the agents for certain expenses.

The Notes are a new issue of securities with no established trading market. The Notes will not be listed on any securities exchange and we do not expect a trading market to develop. Bear Stearns has advised us that, following completion of the offering of the Notes, it intends under ordinary market conditions to indicate prices for the Notes on request, although it is under no obligation to do so and may discontinue any market-making activities at any time without notice. Accordingly, no guarantees can be given as to whether a trading market for the Notes will develop or, if such a trading market develops, as to the liquidity of such trading market. We cannot guarantee that bids for outstanding Notes will be made in the future; nor can we predict the price at which any such bids will be made. The Notes will cease trading as of the close of business on the Maturity Date.

In order to facilitate the offering of the Notes, Bear Stearns may over-allot or effect transactions which stabilize or maintain the market price of the Notes at a level higher than that which might otherwise prevail in the open market. Specifically, Bear Stearns may over-allot or otherwise create a short position in the Notes for its own account by selling more Notes than have been sold to them by us. Bear Stearns may elect to cover any such short position by purchasing Notes in the open market. In addition, Bear Stearns may stabilize or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilization transactions or otherwise. The effect of these transactions may be to stabilize or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales of Notes. No representation is made as to the magnitude or effect of any such stabilization or other transactions. Such stabilizing, if commenced, may be discontinued at any time and in any event shall be discontinued within a limited period. No other party may engage in stabilization.

Because Bear Stearns is our wholly-owned subsidiary, each distribution of the Notes will conform to the requirements set forth in Rule 2720 of the NASD Conduct Rules.

LEGAL MATTERS

The validity of the Notes will be passed upon for us by Cadwalader, Wickersham & Taft LLP, New York, New York.

PROSPECTUS SUPPLEMENT
(To Prospectus Dated February 2, 2005)

$12,410,781,162

The Bear Stearns Companies Inc.

Medium-Term Notes, Series B

Set forth below is a summary of the terms of the notes offered by this prospectus supplement and the accompanying prospectus. For more detail, see "Description of Notes."

- **Interest**

The notes have a fixed or floating interest rate. The floating interest rate formula will be based on:

- Commercial Paper Rate;
- LIBOR;
- Federal Funds Rate;
- Treasury Rate;
- Prime Rate;
- CMT Rate; or
- Another interest rate formula.

- **Index Notes**

The principal, interest or other amounts payable on the notes, if any, may be based on one or more indices or other formulas.

- **Maturity**

The notes will mature in 9 months or more.

- **Ranking**

The notes will be our unsecured senior debt and will rank equally with all of our other unsecured and unsubordinated debt.

- **Sinking Fund**

The notes will not be subject to a sinking fund unless otherwise set forth in the applicable pricing supplement.

- **Interest Payment Dates**

Interest on fixed rate notes will be paid semi-annually or otherwise on the dates set forth in the applicable pricing supplement. Interest on floating rate notes or index notes will be paid monthly, quarterly, semiannually, annually or as otherwise set forth in the applicable pricing supplement.

- **Redemption and Repurchase**

The notes may be subject to:

- redemption, at our option; and

- repayment, at your option.

- **Book-Entry Notes**

The notes will be issued in book-entry form unless otherwise set forth in the applicable pricing supplement.

- **Denominations**

The notes will be issued in minimum denominations of $25,000 (or the specified currency equivalent), increased in multiples of $1,000 (or the specified currency equivalent), unless otherwise set forth in the applicable pricing supplement.

INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE S-3 OF THIS PROSPECTUS SUPPLEMENT.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Note		Total(4)	
Initial public offering price(1)	100%		$12,410,781,162	
Agents' discounts and commission(2)	0.125%	0.750%	$15,513,476	93,080,859
Our proceeds, before expenses(3)	99.250%	99.875%	$12,317,700,303	12,395,267,686

(1) We will issue the notes at 100% of their principal amount, unless otherwise set forth in the applicable pricing supplement.

(2) We will pay a commission to each agent, in the form of a discount, ranging from .125% to .750% of the price to the public of any note, depending on maturity, when that agent places such note. Any agent may agree with us, in respect of the sale of a note, to accept a commission other than one based on maturity, provided that the maximum commission will not be greater than 8%. We may sell notes to any agent as principal either at a discount or at 100% of their principal amount, for resale at negotiated prices to be determined by that agent at the time of resale. See "Supplemental Plan of Distribution." We have agreed to indemnify each agent against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

(3) Before deduction of expenses payable by us, estimated at $700,000.

(4) In US dollars or their equivalent in one or more foreign or composite currencies.

Bear, Stearns & Co. Inc.

February 2, 2005

We are offering the notes on a continuing basis through Bear, Stearns & Co. Inc., and any other agent we may designate. Each agent has agreed to use its reasonable best efforts to solicit purchases of the notes. We have reserved the right to sell notes directly on our own behalf. We will not list the notes on any securities exchange, and we cannot assure you that the notes offered by this prospectus supplement will be sold or that there will be a secondary market for them. We reserve the right to withdraw, cancel or modify the offer made by this prospectus supplement without giving notice. We may reject any offer in whole or in part.

Each agent may use this prospectus supplement in connection with offers and sales associated with market-making transactions in the notes. Each agent may act as principal or agent in the market-making transactions. The offers and sales will be made at prices that relate to prevailing prices at the time.

You must read this prospectus supplement and the accompanying prospectus together with all the documents which are deemed to be incorporated in this prospectus supplement and the accompanying prospectus by reference (see "Where You Can Find More Information" in the accompanying prospectus). This prospectus supplement and the accompanying prospectus must be read and construed on the basis that the incorporated documents are so incorporated and form part of this document, except as specified in this document.

We have not authorized any person to give any information or represent anything not contained in this prospectus supplement and the accompanying prospectus. You must not rely on any unauthorized information.

RISK FACTORS

Your investment in the notes involves risk. In consultation with your financial and legal advisers, you should carefully consider the following risks and the other information included or incorporated by reference in the applicable pricing supplement, this prospectus supplement and the accompanying prospectus, including the information under "Where You Can Find More Information" on page 3 of the accompanying prospectus, before deciding that an investment in the notes is suitable for you. You should not purchase the notes unless you understand and can bear the investment risks of the notes.

There may not be any Trading Market for Your Notes; Many Factors Affect the Trading Market and Value of Your Notes.

Upon issuance, the notes will not have an established trading market. We cannot assure you a trading market for the notes will ever develop or, if one develops, that it will be maintained. If you wish to liquidate your investment in the notes prior to maturity, selling your notes may be your only option. At that time, there may be an illiquid market for the notes or no market at all. In addition to our own creditworthiness, many other factors may affect the trading market value of, and trading market for, your notes. These factors include:

- the rate of interest, if any, on your notes;
- the complexity and volatility of the index or formula applicable to your notes;
- the method of calculating the principal, or any premium, interest or other amounts payable in respect of your notes;
- the time remaining to the maturity of your notes;
- the total outstanding amount of any particular issuance of notes or of our notes in total;
- any redemption or repayment features of your notes;
- the amount of any other securities linked to your notes; and
- the level, direction and volatility of market interest rates generally.

We expect that changes in interest rates will affect the trading value of the notes. In general, if US interest rates increase, we expect that the trading value of the notes will decrease and, conversely, if US interest rates decrease, we expect that the trading value of the notes will increase.

In addition, notes that are designed for specific investment objectives or strategies often experience a more limited trading market and more price volatility. There may be a limited number of buyers when you decide to sell your notes. This may affect the price you receive for your notes or your ability to sell your notes at all. You should not purchase notes unless you understand and know you can bear all of the investment risks related to your notes.

The Notes are not Insured Against Loss by any Third Party; You can only Depend on our Earnings and Assets for Payment of Principal and Interest on the Notes.

The notes will be solely our obligations, and no other entity will have any obligation, contingent or otherwise, to make any payments in respect of the notes.

In addition, because we are a holding company whose primary assets consist of shares of stock or other equity interests in our subsidiaries, almost all of our income is derived from those subsidiaries. Our subsidiaries will have no obligation to pay any amount in respect of the notes or to make any funds available for payment of the notes. Accordingly, we will be dependent on dividends and other

distributions or loans from our subsidiaries to generate the funds necessary to meet our obligations with respect to the notes, including the payment of principal and interest. The notes will also be effectively subordinated to the claims of creditors of our subsidiaries with respect to their assets.

If funds from dividends, other distributions or loans from our subsidiaries are not adequate, we may be unable to make payments of principal or interest in respect of the notes and you could lose all or a part of your investment.

At August 31, 2004:

- we had outstanding (on an unconsolidated basis) approximately $40.0 billion of debt and other obligations, including approximately $36.2 billion of unsecured senior debt and $3.4 billion of unsecured inter-company debt; and

- our subsidiaries had outstanding (after elimination of inter-company items) approximately $192.6 billion of debt and other obligations (including $55.8 billion related to securities sold under repurchase agreements, $75.0 billion related to payables to customers, $28.0 billion related to financial instruments sold, but not yet purchased, and $33.8 billion of other liabilities, including $17.4 billion of debt).

If the Notes are Redeemable, We may Redeem such Notes when Prevailing Interest Rates are Relatively Low.

If the pricing supplement for your notes provides that the notes are redeemable at our option, we may choose to redeem the notes on or after the date indicated in the pricing supplement. If the pricing supplement provides that the notes are subject to mandatory redemption or are otherwise repayable at the option of the holder, we also may be required to redeem the notes upon the occurrence of certain events or at a certain date. In the event that prevailing interest rates are relatively low when we choose or are required to redeem the notes, you may not be able to reinvest the redemption proceeds in a comparable security with a yield as high as that on the notes being redeemed. Our ability to redeem the notes before the maturity date may affect the market value of the notes at any time when potential purchasers believe we are likely to redeem notes.

If the Notes you Purchase are Floating Rate Notes, you may Receive a Lesser Amount of Interest in the Future.

Because the interest rate on floating rate notes will be indexed to an external interest rate or index that may vary from time to time, there will be significant risks not associated with a conventional fixed rate debt security. These risks include fluctuation of the applicable interest rate and the possibility that, in the future, you will receive a lesser amount of interest. We have no control over a number of matters that may affect interest rates, including economic, financial and political events that are important in determining the existence, magnitude and longevity of these risks and their results. In recent years, interest rates have been volatile, and volatility may be expected in the future. However, past experience is not necessarily indicative of what may occur in the future.

If the Floating Rate Notes you Purchase are Subject to a Maximum Interest Rate, Your Return will be Limited.

If the applicable pricing supplement specifies that your floating rate notes are subject to a maximum interest rate, the rate of interest that will accrue on the floating rate notes during any interest reset period will never exceed the specified maximum interest rate. Conversely, although the applicable rate of interest will always be greater than zero for floating rate notes, unless a minimum interest rate is specified in the applicable pricing supplement, we cannot assure you that the interest rate you receive in the future will not decrease.

Holders of Indexed Notes are Subject to Important Risks that are not Associated with More Conventional Debt Securities.

If you invest in indexed notes, you will be subject to significant risks not associated with conventional fixed-rate or floating-rate debt securities. These risks include the possibility that the particular index or indices may be subject to fluctuations, and the possibility that an investor will receive a lower, or no, amount of principal, premium, or interest, and at different times than expected. In recent years, interest rates and indices have been volatile, and this volatility may be expected in the future. However, past experience is not necessarily indicative of what may occur in the future. We have no control over a number of matters, including economic, financial, and political events, that are important in determining the existence, magnitude, and longevity of these risks and their impact on the value of, or payments made on, the indexed notes. Some of the additional risks that you should consider in connection with an investment in indexed notes are as follows:

You may lose some or all of your principal. The principal amount of an indexed note may or may not be fully "principal protected." This means that the principal amount you will receive at maturity may be less than the original purchase price of the indexed note. It also is possible that principal will not be repaid.

Your yield may be less than the yield on a conventional debt security of comparable maturity. Any yield on your investment in an indexed note (whether or not the principal amount is indexed) may be less than the overall return you would earn if you purchased a conventional debt security at the same time and with the same maturity date.

The existence of a multiplier or leverage factor may result in the loss of your principal and interest. Some indexed notes may have interest and principal payments that increase or decrease at a rate greater than the rate of a favorable or unfavorable movement in the indexed item. This is referred to as a multiplier or leverage factor. A multiplier or leverage factor in a principal or interest index will increase the risk that no principal or interest will be paid.

Payment on the indexed note prior to maturity may result in a reduced return on your investment. The terms of an indexed note may require that the indexed note be paid prior to its scheduled maturity date. That early payment could reduce your anticipated return. In addition, you may not be able to invest the funds you receive in a new investment that yields a similar return.

The United States federal income tax consequences of the indexed notes are uncertain. No statutory, judicial, or administrative authority directly addresses the characterization of the indexed notes or securities similar to the indexed notes for United States federal income tax purposes. As a result, significant United States federal income tax consequences of an investment in the indexed notes are not certain. We are not requesting a ruling from the Internal Revenue Service (the "IRS") for any of the indexed notes and we give no assurance that the IRS will agree with the statements made in this prospectus supplement or in the pricing supplement applicable to those notes.

Your investment return may be less than a comparable direct investment in the stocks included in an index or in a fund that invests in those stocks. A direct investment in the stocks included in an index or in a fund that invests in those stocks would allow you to receive the full benefit of any appreciation in the price of the shares, as well as in any dividends paid by those shares. Indexed notes may not offer these benefits.

Hedging Activities may Affect Your Return at Maturity and the Market Value of the Notes.

Hedging activities also may affect trading in the notes. We and our affiliates may from time to time engage in hedging activities in connection with an offering of the notes. This hedging activity may affect the value of the notes in a manner that would be adverse to your investment in the notes. In addition, we or our affiliates may acquire a long or short position in the notes from time to time. In the case of indexed notes, we or our affiliates may engage in hedging activity related to the indexed notes or to a component of the index or formula applicable to the indexed notes. All or a portion of these positions may be liquidated at or about the time of the maturity date of the notes. The aggregate amount and the composition of these positions are likely to vary over time. We have no reason to believe that any of our activities will have a material effect on the notes. However, we cannot assure you that our activities or the activities of our affiliates will not affect the prices at which you may sell your notes.

Changes in Our Credit Ratings are Expected to Affect the Value of the Notes.

Our credit ratings are an assessment of our ability to pay our obligations. Consequently, actual or anticipated changes in our credit ratings, as well as our financial condition or results of operations may significantly affect the trading value of the notes. However, because the return on the notes depends upon factors in addition to our ability to pay our obligations, an improvement in our credit ratings, financial condition or results of operations will not reduce the other investment risks related to the notes.

Changes in Exchange Rates and Exchange Controls Could Result in a Substantial Loss to You.

An investment in notes that are denominated in a specified currency other than US dollars, or the principal, premium and/or any interest of which are determined by reference to a currency or currency index or indices, entails significant risks that are not associated with a similar investment in a security denominated in US dollars. Risks include, without limitation, the possibility of significant changes in rates of exchange between the US dollar and the various foreign currencies or composite currencies and the possibility of the imposition or modification of foreign exchange controls by either the United States or foreign governments. These risks generally depend on factors over which we have no control, such as economic and political events or the supply of and demand for the relevant currencies. In recent years, rates of exchange between the US dollar and certain foreign currencies have been highly volatile and such volatility may be expected in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations in the rate that may occur during the term of any note. Depreciation of a specified currency other than US dollars against the US dollar could result in a decrease in the effective yield of the note below its coupon rate, and in certain circumstances could result in a loss to the investor on a US dollar basis.

Governments have imposed, and may in the future impose, exchange controls that could affect exchange rates as well as the availability of a specified foreign currency for making payments with respect to a note. There can be no assurance that exchange controls will not restrict or prohibit payments in any such currency or currency unit. Even if there are no actual exchange controls, it is possible that the specified currency for any particular note would not be available to make payments when due. In that event, we will repay such note in US dollars on the basis of the most recently available exchange rate. See "Description of Notes Payment of Principal and Interest."

The Unavailability of Currencies Could Result in a Substantial Loss to You.

Currently, there are limited facilities in the United States for currency conversion between US dollars and foreign currencies. In addition, banks do not offer non-US dollar denominated checking or savings account facilities in the United States. Accordingly, payments on notes made in a specified currency other than US dollars will be made from an account with a bank located in the country issuing the specified currency. As a result, you may have difficulty or be unable to convert such specified currencies into US dollars on a timely basis or at all. See "Description of Notes Payment of Principal and Interest." Unless otherwise specified in the applicable pricing supplement, notes denominated in a specified currency other than US dollars will not be sold in, or to residents of, the country issuing the specified currency in which particular notes are denominated.

Judgments in a Foreign Currency Could Result in a Substantial Loss to You.

The notes will be governed by and construed in accordance with the laws of the State of New York. If an action based on the notes were commenced in a court in the United States, it is likely that such court would grant judgment relating to the notes only in US dollars. It is not clear, however, whether in granting such judgment, the rate of conversion into US dollars would be determined with reference to the date of default, the date judgment is rendered or some other date. New York statutory law provides, however, that a court shall render a judgment or decree in the foreign currency of the underlying obligation and that the judgment or decree shall be converted into US dollars at the exchange rate prevailing on the date of entry of the judgment. Therefore, the exchange rate on the date of the judgment could be more favorable than the exchange rate on the date that the judgment is paid.

Please note, this prospectus supplement, the attached prospectus and the applicable pricing supplement do not describe all the risks of an investment in notes denominated in a specified currency other than US dollars, or the principal of or the premium and/or any interest on which are determined by reference to a currency, currency index or indices, equity index or indices or other formula or measure. You should consult your own financial and legal advisors as to the risks entailed by an investment in notes denominated in a specified currency other than US dollars, or as to which the principal, premium and/or any interest is determined by reference to a currency, currency index or indices, equity index or indices or other formula or measure. These notes are not an appropriate investment for investors who are unsophisticated with respect to foreign currency, equity linked or indexed transactions.

Except as set forth under "Certain US Federal Income Tax Considerations," the information set forth in this prospectus supplement is directed to prospective purchasers who are US residents, and we disclaim any responsibility to advise prospective purchasers who are residents of countries other than the United States with respect to any matters that may affect the purchase, holding or receipt of payments of principal (and premium, if any) and any interest with respect to the notes. These persons should consult their own financial and legal advisors with regard to such matters.

PRICING SUPPLEMENT

The pricing supplement for each offering of notes will contain the specific information and terms for that offering. The pricing supplement may also add, update or change information contained in this prospectus supplement and the prospectus. If any information in the pricing supplement, including any changes in the method of calculating interest on any note, is inconsistent with this prospectus supplement, you should rely on the information in the pricing supplement. It is important that you consider all of the information in the pricing supplement, this prospectus supplement and the prospectus when making your investment decision.

DESCRIPTION OF NOTES

General

The following terms apply to each note unless otherwise specified in the applicable pricing supplement and the note. The applicable pricing supplement will describe the terms for the notes, including:

- interest rate;
- index or other formulas on which principal, interest or other amounts payable may be based;
- remarketing provisions;
- our right to redeem notes;
- your right to tender notes you have purchased; and
- any other provisions.

We will issue notes under an indenture, dated as of May 31, 1991, as amended, between us and JPMorgan Chase Bank, N.A. (formerly, The Chase Manhattan Bank), as Trustee, that is more fully described in the accompanying prospectus. The notes are part of a single series of our debt securities that are issuable under the indenture. For a description of the rights attaching to the debt securities under the indenture, see "Description of Debt Securities" in the accompanying prospectus. This description and the description under "Description of Debt Securities" in the accompanying prospectus are summaries and do not restate the indenture. We urge you to read the indenture and its supplements which we have filed with the SEC because they, and not this description or the one in the accompanying prospectus, define your rights as a holder of notes. See "Where You Can Find More Information" in the accompanying prospectus on how to locate the indenture and its supplements.

The notes are limited in amount as described on the cover page of this prospectus supplement, less an amount equal to the aggregate initial public offering price of any other securities we may issue in the future, including any other series of medium-term notes. We may increase this limit if we wish to sell additional notes in the future. Under the indenture, we may issue debt securities over the amount authorized on the date of this prospectus supplement without obtaining your consent or the consent of holders of other debt securities. Each series of notes or other debt securities may differ as to their terms. For current information on our outstanding debt, see our most recent Forms 10-K and 10-Q. See "Where You Can Find More Information" in the accompanying prospectus.

We will offer the notes on a continuous basis at various times. The notes will mature at face value nine months or more from the date they are issued and before maturity may be subject to redemption at our option or repayment at your option, as specified in the applicable pricing supplement. Each note will be denominated in either US dollars or in another currency that will be specified both on the face of the note and in the applicable pricing supplement.

You will be required to pay for any notes you purchase by delivery of the requisite amount of the specified currency to an agent, unless other arrangements have been made. Payments should be made in the specified currency in the country issuing the specified currency, provided that, at your election and, in certain circumstances, at our option, payments on notes denominated in other than US dollars may be made in US dollars. See "Risk Factors The Unavailability of Currencies Could Result in a Substantial Loss to You" and "Payment of Principal and Interest."

US dollar-denominated notes will be issued in minimum denominations of $25,000, increased in multiples of $1,000. Non-US dollar-denominated notes will be issued in the amount of the specified currency equal to US $25,000 or any integral multiple of the equivalent of US $1,000, as determined by reference to the noon buying rate in New York City for cable transfers in that specified currency as certified for customs purposes by the Federal Reserve Bank of New York for that specified currency on the Business Day before the date of issuance or, if that exchange rate is not available, then on the basis of the most recently available exchange rate for the specified currency. We may specify other authorized denominations in the applicable pricing supplement.

We may issue the notes as currency indexed notes, the principal amount of which is payable at or before maturity and any interest on which and any premium or other amounts payable with respect to which will be determined by the difference between the currency in which the notes are denominated and another currency or composite currency or by reference to any other currency index or indices, as set forth in the applicable pricing supplement. See "Currency Indexed Notes."

We may also issue the notes as indexed notes, the principal amount of which is payable at or before maturity and any interest on which and any premium or other amounts payable with respect to which will be determined by reference to the price or performance of one or more specified securities, commodities or indices on certain specified dates, or by some other financial, economic or other measures or instruments. See "Other Indexed Notes."

The notes are unsecured and will rank equally with all of our unsecured and unsubordinated debt, including the other debt securities issued under the indenture. Because we are a holding company, the notes will be effectively subordinated to the claims of creditors of our subsidiaries with respect to their assets. At August 31, 2004:

- we had outstanding (on an unconsolidated basis) approximately $40.0 billion of debt and other obligations, including approximately $36.2 billion of unsecured senior debt and $3.4 billion of unsecured inter-company debt; and

- our subsidiaries had outstanding (after elimination of inter-company items) approximately $192.6 billion of debt and other obligations (including $55.8 billion related to securities sold under repurchase agreements, $75.0 billion related to payables to customers, $28.0 billion related to financial instruments sold, but not yet purchased, and $33.8 billion of other liabilities, including $17.4 billion of debt).

The notes will not have a sinking fund unless otherwise specified in the pricing supplement.

Unless otherwise set forth in the applicable pricing supplement, each note will be issued in "book-entry" form represented by a permanent global security registered in the name of The Depository Trust Company or its nominee. As long as DTC or its nominee is the registered owner of a global security, DTC or its nominee will be considered the sole owner or holder of the book-entry note(s) represented by that global security under the indenture. See "Book-Entry Procedures and Settlement" in the accompanying prospectus.

We may issue the notes as exchangeable notes that are exchangeable at your option for:

- the securities, or cash representing the value of securities, of an entity unaffiliated with us;

- a basket of these securities;

- an index or indices of these securities; or

- any combination of the above options, as is described in the applicable pricing supplement.

Exchangeable notes may bear interest or be issued with original issue discount or at a premium, all as specified in the applicable pricing supplement. See "Exchangeable Notes."

Under the terms of the indenture, we may defease the notes. See "Description of Debt Securities Defeasance" in the accompanying prospectus.

In the following discussion, any time we refer to paying principal on the notes, we mean at maturity or upon redemption or repayment. All times are New York City time unless otherwise noted. The following terms may apply to each note as specified in the applicable pricing supplement. We have provided the definitions of certain capitalized terms used in this prospectus supplement in the Glossary.

Possible Principal Protection

The applicable pricing supplement will detail whether your principal investment in the notes is (1) fully guaranteed and thus protected, (2) possibly protected or (3) not protected.

Principal protected means that, if held to maturity, your principal investment in the notes is guaranteed and will not be at risk of loss. At maturity, you will receive at least the principal amount of the notes.

Possible principal protection means that only under certain circumstances will your principal investment in the notes be guaranteed. If, and only if, the specific circumstances in the applicable pricing supplement are met and if the notes are held to maturity, your principal investment in the notes is guaranteed and will not be at risk of loss. If the specific circumstances in the applicable pricing supplement are not met, then your investment may result in a loss as there is no guaranteed return of principal.

If your principal investment is not principal protected, then there is no fixed repayment amount of principal at maturity. Your investment may result in a loss as there is no guaranteed return of principal, and at maturity, the amount you receive may be less than the original purchase price of the notes.

Interest Rate

General

We have provided a Glossary at the end of this prospectus supplement to define certain capitalized words used in discussing the interest rate payable on the notes.

The interest rate on the notes will be either fixed or floating. The interest paid will include interest accrued from the date of original issue to, but excluding, the relevant interest payment date, maturity date, redemption date or repayment date and will be payable on each interest payment date and upon maturity, redemption or repayment. Interest will be paid to the person in whose name the note is registered at the close of business on the record date before each interest payment date, which in the case of global securities representing book-entry notes will be the depository or its nominee. However, interest payable upon maturity, redemption or repayment will be payable to the person to whom principal is payable, which in the case of global securities representing book-entry notes will be the depository or its nominee. The first interest payment on any note issued between a record date and an interest payment date will be made on the interest payment date after the next record date.

Fixed Rate Notes

The applicable pricing supplement will designate the fixed rate of interest payable on a fixed rate note. The fixed rate of interest may be zero in the case of a fixed rate note issued with original issue discount. Each fixed rate note will bear interest from its date of original issue at the rate per year stated on its face until the principal is paid or made available for payment. Interest will be paid semiannually or otherwise on the dates specified in the applicable pricing supplement and at maturity, or on redemption or optional repayment.

The record dates for fixed rate notes will be 15 calendar days before the interest payment date, whether or not that date is a Business Day, unless otherwise specified in the applicable pricing supplement. Interest will be computed using a 360-day year of twelve 30-day months. In the event that any interest payment date, maturity date, redemption date or repayment date of a fixed rate note is not a Business Day, the related payment of principal, premium, if any, or interest will be made on the next succeeding Business Day and, unless otherwise specified by the applicable pricing supplement, no interest shall accrue for the period from and after that interest payment date, maturity date, redemption date or repayment date, as the case may be, to the next Business Day.

Floating Rate Notes

General

The interest rate on a floating rate note will be calculated by reference to the specified interest rate formula, plus or minus a spread, if any, as specified in the applicable pricing supplement. The spread is the number of basis points specified in the applicable pricing supplement as applicable to the interest rate for the floating rate note and may be a fixed amount or an amount that increases or decreases over time. The formula may be based on any of the following rates:

- the Commercial Paper Rate;
- LIBOR;
- the Federal Funds Rate;
- the Treasury Rate;
- the Prime Rate;
- the CMT Rate; or
- another interest rate formula.

In addition to any spread, the applicable pricing supplement will also indicate any applicable maximum or minimum interest rate limitations.

The applicable pricing supplement also will define or specify the following terms, if applicable:

- Calculation Date;
- initial interest rate;
- interest payment period;
- interest payment dates;
- record date;
- Index Maturity;

Interest Determination Date;

Interest Reset Period;

Interest Reset Date; and

sinking fund, if any.

On your request, the Calculation Agent will provide you with the current interest rate and the interest rate which will become effective on the next interest reset date. See " *How Interest Is Calculated*."

Date Interest Rate Changes

The interest rate on floating rate notes may be reset daily, weekly, monthly, quarterly, semiannually or annually, as provided in the applicable pricing supplement. Unless otherwise set forth in the applicable pricing supplement, the Interest Reset Date will be:

- for notes which reset daily, each Business Day;
- for notes (other than Treasury Rate notes) which reset weekly, the Wednesday of each week;
- for Treasury Rate notes which reset weekly, the Tuesday of each week;
- for notes which reset monthly, the third Wednesday of each month;
- for notes which reset quarterly, the third Wednesday of March, June, September and December;
- for notes which reset semiannually, the third Wednesday of the two months specified in the note and/or the applicable pricing supplement; and
- for notes which reset annually, the third Wednesday of the month specified in the note and/or the applicable pricing supplement.

The initial interest rate or interest rate formula effective until the first Interest Reset Date will be indicated in the applicable pricing supplement.

After the first Interest Reset Date, the interest rate will be the rate determined on the next Interest Determination Date as explained below. Each time a new interest rate is determined it will become effective on the next Interest Reset Date. Except for notes which reset daily or weekly, no changes will be made in the interest rate during the 10 days before the date of maturity, redemption or repayment. Unless otherwise specified in the applicable pricing supplement, the interest rate for notes with daily interest reset dates may be changed until the Business Day immediately before the maturity date. Unless otherwise specified in the applicable pricing supplement, the interest rate for notes with weekly reset dates may be changed until the Interest Reset Date immediately before the maturity date. If any Interest Reset Date is not a Business Day, then the Interest Reset Date will be postponed to the next Business Day. However, in the case of a LIBOR note, if the next Business Day is in the next calendar month, the Interest Reset Date will be the preceding Business Day.

In the case of weekly reset Treasury Rate notes, if an auction of Treasury bills falls on a day that is an Interest Reset Date for Treasury Rate notes, the Interest Reset Date will be the following day that is a Business Day.

When Interest Rate Is Determined

Unless otherwise specified in the applicable pricing supplement, the "Interest Determination Date" is as follows:

- for the Commercial Paper Rate and Federal Funds (Effective) Rate, the Business Day before the Interest Reset Date;
- for LIBOR, the second London Banking Day before the Interest Reset Date;
- for the Treasury Rate, the day of the week in which the Interest Reset Date falls on which Treasury bills would normally be auctioned. Treasury bills are usually sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is usually held on the

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following Tuesday, unless the auction may be held on the preceding Friday. If the auction is held on the preceding Friday, that Friday will be the Interest Determination Date pertaining to the Interest Reset Date occurring in the next week;

for the Prime Rate and Federal Funds (Open) Rate, the same day as the Interest Reset Date; and

for a CMT Rate note, the tenth Business Day before the Interest Reset Date.

When Interest Is Paid

Unless otherwise specified in the applicable pricing supplement, interest is paid as follows:

for notes which reset daily, weekly or monthly, on the third Wednesday of each month or on the third Wednesday of March, June, September and December of each year, as specified in the note or the applicable pricing supplement;

for notes which reset quarterly, on the third Wednesday of March, June, September and December of each year;

for notes which reset semiannually, on the third Wednesday of the two months of each year specified in the note or the applicable pricing supplement;

for notes which reset annually, on the third Wednesday of the month specified in the note or the applicable pricing supplement; and

at maturity, redemption or optional repayment.

If any interest payment date, maturity date, redemption date or repayment date of a floating rate note is not a Business Day, the related payment of principal, premium, if any, or interest will be postponed to the next Business Day and, unless otherwise specified in the applicable pricing supplement, no additional interest shall accrue for the period from and after that interest payment date, maturity date, redemption date or repayment date, as the case may be, to the next Business Day. However, for LIBOR notes, if the next Business Day is in the next calendar month, principal, premium, if any, or interest will be paid on the preceding Business Day, provided that any such Business Day is also a London Banking Day.

For floating rate notes, the record date will be 15 calendar days before each interest payment date, whether or not that date is a Business Day, unless otherwise specified in the applicable pricing supplement.

How Interest Is Calculated

Unless otherwise specified in the applicable pricing supplement, interest payments will be the amount of interest accrued from, and including, the prior interest payment date in respect of which interest has been paid (or from, and including, the date of original issue if no interest has been paid), to, but excluding, the interest payment date. If the interest payment date is also a day that principal is due, the interest payable will include interest accrued to, but excluding, the date of maturity, redemption or optional repayment.

Accrued interest from the date of original issue or from the last date to which interest has been paid is calculated by multiplying the face amount of the floating rate note by an accrued interest factor. The accrued interest factor is computed by adding the interest factors calculated for each day from the date of issue, or from the last date to which interest has been paid, to the date for which accrued interest is being calculated. The interest factor (expressed as a decimal calculated to seven decimal places without rounding) for each such day is computed by dividing the interest rate applicable to that day by 360, in the case of Commercial Paper Rate notes, Federal Funds Rate notes, LIBOR notes and Prime Rate notes, or by the actual number of days in the year, in the case of Treasury Rate notes. With respect to CMT Rate notes, interest is calculated on the basis of twelve 30-day months and a 360-day year.

All percentages resulting from any calculation on floating rate notes will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upward (e.g., 6.876545% (or .06876545) being rounded to 6.87655% (or .0687655) and 6.876544% (or .06876544) being rounded to 6.87654% (or ..0687654)), and all dollar amounts used in or resulting from such calculation will be rounded to the nearest cent (with one-half cent being rounded upward).

Unless otherwise specified in the applicable pricing supplement, the Calculation Date relating to an Interest Determination Date will be the earlier of (a) the tenth calendar day after the Interest Determination Date or, if that day is not a Business Day, the next Business Day or (b) the Business Day before the applicable interest payment date, maturity date, redemption date or repayment date. JPMorgan Chase Bank, N.A. (formerly, The Chase Manhattan Bank) will be the Calculation Agent with respect to the floating rate notes. On your request, the Calculation Agent will provide you with the interest rate then in effect, and, if different, the interest rate that will become effective as a result of a determination made on the most recent Interest Reset Date with respect to your floating rate note.

Legal Maximum Interest Rate

In addition to any maximum interest rate for any floating rate note, the interest rate on the floating rate notes will not be higher than the maximum rate permitted by New York law, as modified by federal law. Current New York law provides a maximum interest rate of 25% per annum. This limit does not apply to notes with principal amounts of more than $2,500,000.

Commercial Paper Rate Notes

Each Commercial Paper Rate note will bear interest at the rate (calculated with reference to the Commercial Paper Rate and any spread) specified in the Commercial Paper Rate note and in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, the Commercial Paper Rate means, with respect to any Interest Determination Date, the Money Market Yield (as set forth and calculated in the Glossary section of this prospectus supplement) on such date of the rate for commercial paper having the Index Maturity specified in the applicable pricing supplement as published in H.15(519) under the heading "Commercial Paper Nonfinancial." If the rate is not published in H.15(519) on the Calculation Date, the Money Market Yield will be calculated based on the rate on the Interest Determination Date as published in H.15 Daily Update or any other recognized electronic source used for displaying that rate under the heading "Commercial Paper Nonfinancial."

If neither of the rates described above is published on the Calculation Date, then the Commercial Paper Rate will be the Money Market Yield of the arithmetic mean of the offered rates, as of 11:00 a.m. on the Interest Determination Date, of three leading dealers of commercial paper in New York City selected by the Calculation Agent for commercial paper of the specified Index Maturity placed for an industrial issuer whose bond rating is "AA," or the equivalent, from a nationally recognized rating agency.

If the three dealers selected are not quoting as mentioned above, the Commercial Paper Rate will remain the Commercial Paper Rate then in effect on such Interest Determination Date.

LIBOR Notes

Each LIBOR note will bear interest at the rate (calculated with reference to LIBOR and any spread) specified in the LIBOR note and in the applicable pricing supplement. LIBOR will be determined by the Calculation Agent as follows, unless otherwise specified in the applicable pricing supplement:

With respect to any Interest Determination Date, either:

(a) the arithmetic mean, as determined by the Calculation Agent, of the offered rates for deposits in US dollars for the Index Maturity specified in the applicable pricing supplement, beginning on the second London Banking Day after that date, which appear on the Reuters Screen LIBO Page as of 11:00 a.m., London time, on that date, if at least two such offered rates appear on the Reuters Screen LIBO Page; or

(b) the offered rate for deposits in US dollars having the specified Index Maturity, beginning on the second London Banking Day after that date, which appears on the Telerate Page 3750 as of 11:00 a.m., London time, on that date.

If neither the Reuters Screen LIBO Page nor Telerate Page 3750 is specified in the applicable pricing supplement, LIBOR will be determined as if Telerate Page 3750 had been specified.

In the case where (a) above applies, if fewer than two offered rates appear on the Reuters Screen LIBO Page, or, in the case where (b) above applies, if no rate appears on the Telerate Page 3750, LIBOR will be determined based on the rates at approximately 11:00 a.m., London time, on that LIBOR Interest Determination Date at which deposits in US dollars having the specified Index Maturity are offered by four major banks in the London interbank market selected by the Calculation Agent to prime banks in the London interbank market beginning on the second London Banking Day after that date and in a principal amount of not less than US $1,000,000 that is representative of a single transaction in such market at such time (a "representative amount").

The Calculation Agent will request the principal London office of each such bank to provide a quotation of its rate. If at least two such quotations are provided, LIBOR for that date will be the arithmetic mean of such quotations.

If fewer than two quotations are provided, LIBOR for that date will be the arithmetic mean of the rates quoted at approximately 11:00 a.m. on such date by three major banks in New York City selected by the Calculation Agent for loans in US dollars to leading European banks having the specified Index Maturity beginning on the second London Banking Day after that date and in a principal amount of not less than a representative amount.

Finally, if the three banks are not quoting as mentioned above, LIBOR will remain LIBOR then in effect on such Interest Determination Date.

Federal Funds Rate Notes

Each Federal Funds Rate note will bear interest at the rate (calculated with reference to the Federal Funds Rate and any spread) specified in the Federal Funds Rate note and in the applicable pricing supplement. The Federal Funds Rate may be either of the Federal Funds (Effective) Rate or the Federal Funds (Open) Rate.

Unless otherwise specified in the applicable pricing supplement, the Federal Funds (Effective) Rate means, with respect to any Interest Determination Date, the rate on that day for Federal Funds as published in H.15(519) under the heading "Federal funds (effective)" on Telerate page 120 or any successor service or page or, if not so published on the Calculation Date relating to that Interest Determination Date, the Federal Funds (Effective) Rate will be the rate on that Interest Determination

Date that is published in H.15 Daily Update or any other recognized electronic source used for displaying that rate under the heading "Federal Funds/Effective Rate."

Unless otherwise specified in the applicable pricing supplement, the Federal Funds (Open) Rate means, with respect to any Interest Determination Date, the rate on that day for Federal Funds as reported on Telerate page 5 under the heading "Federal Funds/Open."

If (1) the applicable Federal Funds (Effective) Rate described above or (2) the Federal Funds (Open) Rate described above is not published by 3:00 p.m. on the relevant Calculation Date, then the Federal Funds (Effective) Rate and the Federal Funds (Open) Rate, as applicable, will be calculated by the Calculation Agent as the arithmetic mean of the rates for the last transaction in overnight Federal Funds arranged by three leading brokers of Federal Funds transactions in New York City selected by the Calculation Agent as of 11:00 a.m., on that Interest Determination Date.

If the brokers that are selected by the Calculation Agent are not quoting, the interest rate in effect for the applicable period will remain the interest rate then in effect on such Interest Determination Date.

Treasury Rate Notes

Each Treasury Rate note will bear interest at the rate (calculated with reference to the Treasury Rate and any spread) specified in the Treasury Rate note and in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, the Treasury Rate means, with respect to any Interest Determination Date, the rate for the most recent auction of Treasury bills, direct obligations of the United States, having the Index Maturity specified in the applicable pricing supplement as published under the column designated "Invest Rate" on Telerate page 56 captioned "US Treasury 3MO T-Bill Auction Results" or Telerate page 57 captioned "US Treasury 6MO T-Bill Auction Results."

If the Treasury Rate cannot be set as described above on the Calculation Date pertaining to such Interest Determination Date, the following procedures will apply, as appropriate:

(1) The rate will be the auction average rate (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) as otherwise announced by the United States Department of the Treasury.

(2) If the results of the auction of Treasury bills having the specified Index Maturity are not published in H.15(519) by 3:00 p.m. on the Calculation Date, or if no such auction is held in a particular week, then the Treasury Rate will be calculated by the Calculation Agent and will be a yield to maturity (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the arithmetic mean of the secondary market bid rates as of approximately 3:30 p.m. on the Interest Determination Date, of three leading primary US government securities dealers selected by the Calculation Agent, for the issue of Treasury bills with a remaining maturity closest to the specified Index Maturity.

(3) Finally, if the dealers are not quoting as mentioned above, the Treasury Rate will remain the Treasury Rate then in effect on such Interest Determination Date.

Prime Rate Notes

Each Prime Rate note will bear interest at the rate (calculated with reference to the Prime Rate and any spread) specified in the Prime Rate note and the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, Prime Rate means, with respect to any Interest Determination Date, either the rate set forth for that date on Telerate page 5 under the heading "Bank Rate/Prime" or the rate set forth for that date in H.15(519) under the heading "Bank Prime Loan."

If the Prime Rate cannot be set as described above, the following procedures will occur:

(1) If the applicable rate is not published in H.15(519) or on Telerate page 5 prior to 9:00 a.m. on the Calculation Date, then the Prime Rate will be the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Screen NYMF Page on such Interest Determination Date as such bank's prime rate or base lending rate as in effect for such Interest Determination Date.

(2) If fewer than four rates appear on the Reuters Screen NYMF Page, the rate will be the arithmetic mean of the prime rates quoted on the basis of the actual number of days in the year divided by 360 as of the close of business on such Interest Determination Date by at least two of the three major money center banks in New York City selected by the Calculation Agent from which quotations are requested.

(3) If fewer than two quotations are provided, the Calculation Agent will determine the Prime Rate as the arithmetic mean on the basis of the prime rates in New York City by the appropriate number of substitute banks or trust companies organized and doing business under the laws of the United States, or any state, in each case having total equity capital of at least US $500 million and being subject to supervision or examination by federal or state authority, selected by the Calculation Agent to quote the rate or rates.

(4) If in any month or two consecutive months, the Prime Rate is not published in H.15(519) or on Telerate page 5 and the banks or trust companies selected are not quoting as mentioned in (3) above, the Prime Rate for the Interest Reset Period will remain the same as the Prime Rate for the immediately preceding Interest Reset Period (or, if there was no such Interest Reset Period, the rate of interest payable on the Prime Rate notes for which the Prime Rate is being determined shall be the initial interest rate).

If this failure continues over three or more consecutive months, the Prime Rate for each succeeding Interest Determination Date until the maturity or redemption of such Prime Rate notes or, if earlier, until this failure ceases, shall be LIBOR determined as if such Prime Rate notes were LIBOR notes, and the spread, if any, will be the number of basis points specified in the applicable pricing supplement as the "Alternate Rate Event Spread."

CMT Rate Notes

Each CMT Rate note will bear interest at the rate (calculated with reference to the CMT Rate and any spread) specified in the CMT Rate note and in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, the CMT Rate means, with respect to any Interest Determination Date, the rate displayed on the designated CMT Telerate Page, under the caption "... Treasury Constant Maturities... Federal Reserve Board Release H.15... Mondays Approximately 3:45 p.m.," under the column for the designated CMT Index Maturity, for:

(a) the latest rate displayed at the close of business on such Interest Determination Date if the designated CMT Telerate Page is 7051; or

(b) the average for the week, or the month, as specified in the applicable pricing supplement, ended immediately before the week in which the related Interest Determination Date occurs if the designated CMT Telerate Page is 7052.

If the CMT Rate cannot be set as described above, the following procedures will occur:

(1) If the applicable rate described above is not displayed on the relevant page by 3:00 p.m., New York City time on that Calculation Date, unless the calculation is made earlier and the rate is available from that source at that time on the Calculation Date, then the CMT Rate will be the Treasury constant maturity rate having the designated Index Maturity, as published in H.15(519) or another recognized electronic source for displaying the rate.

(2) If the applicable rate described above is not published in H.15(519) or another recognized electronic source for displaying such rate by 3:00 p.m., New York City time on that Calculation Date, unless the calculation is made earlier and the rate is available from one of those sources at that time, then the CMT Rate will be the Treasury constant maturity rate, or other United States Treasury rate, for the Index Maturity and with reference to the relevant Interest Determination Date, that is published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury and that the Calculation Agent determines to be comparable to the rate formerly displayed on the designated CMT Telerate Page and published in H.15(519).

(3) If the rate described in the prior paragraph cannot be determined, then the Calculation Agent will determine the CMT Rate to be a yield to maturity based on the average of the secondary market offered rates as of approximately 3:30 p.m., New York City time, on the relevant Interest Determination Date reported, according to their written records, by three leading primary United States government securities dealers in New York City. The Calculation Agent will select five such securities dealers after consulting with us, and will eliminate the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest), for the most recently issued direct noncallable fixed rate obligations of the United States Treasury ("Treasury Notes") with an original maturity of approximately the designated Index Maturity and a remaining term to maturity of not less than the designated Index Maturity minus one year in a representative amount. If two Treasury Notes with an original maturity as described above have remaining terms to maturity equally close to the designated Index Maturity, the quotes for the Treasury Note with the shorter remaining term to maturity will be used.

(4) If the Calculation Agent cannot obtain three Treasury Note quotations of the kind described in the prior paragraph, the Calculation Agent will determine the CMT Rate to be the yield to maturity based on the average of the secondary market offered rates for Treasury Notes with an original maturity longer than the designated CMT Index Maturity which have a remaining term to maturity closest to the designated CMT Index Maturity and in a representative amount, as of approximately 3:30 p.m., New York City time, on the relevant Interest Determination Date of leading primary United States government securities dealers in New York City. In selecting these offered rates, the Calculation Agent will request quotations from at least five such securities dealers and will disregard the highest quotation (or if there is equality, one of the highest) and the lowest quotation (or if there is equality, one of the lowest). If two Treasury Notes with an original maturity longer than the designated CMT Index Maturity have remaining terms to maturity that are equally close to the designated CMT Index Maturity, the Calculation Agent will obtain quotations for the Treasury Note with the shorter remaining term to maturity.

(5) If fewer than five but more than two of the leading primary United States government securities dealers are quoting as described in the prior paragraph, then the CMT Rate for the relevant Interest Determination Date will be based on the average of the offered rates obtained, and neither the highest nor the lowest of those quotations will be eliminated.

(6) If two or fewer leading primary United States government securities dealers selected by the Calculation Agent are quoting as described above, the CMT Rate will remain the CMT Rate then in effect on that Interest Determination Date.

Inverse Floating Rate Notes

Any floating rate note may be designated in the applicable pricing supplement as an inverse floating rate note. In such an event, unless otherwise specified in the applicable pricing supplement, the interest rate on the floating rate note will be equal to a fixed rate of interest minus an interest rate determined based on a rate specified in the applicable pricing supplement, as adjusted by any spread or multiplier.

Index Notes

Currency Indexed Notes

We may offer notes the principal amounts of which are payable at or before maturity and the amounts of interest payable on which and/or any premium payable with respect to which are determined by the rate of exchange between the specified currency and the other currency or composite currency or currencies specified as the indexed currency or by reference to some other currency index or indices, in each case as set forth in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, you will be entitled to receive a principal amount or portion of that amount in respect of the currency indexed note exceeding the amount designated as the face amount of the currency indexed note in the applicable pricing supplement if, at the stated maturity date, the rate at which the specified currency can be exchanged for the indexed currency is greater than the rate of exchange designated as the base exchange rate, which is expressed in units of the indexed currency per one unit of the specified currency, as specified in the applicable pricing supplement. You will only be entitled to receive a principal amount in respect of the currency indexed notes less than the face amount of currency indexed notes, if, at the stated maturity date, the rate at which the specified currency can be exchanged for the indexed currency is less than the base exchange rate, in each case determined as described under "Payment of Principal and Interest."

The applicable pricing supplement will set forth information as to the relative historical value of the applicable specified currency against the applicable indexed currency, any currency and/or exchange controls applicable to the specified currency or indexed currency and any additional tax consequences to holders. See "Risk Factors Changes in Exchange Rates and Exchange Controls Could Result in a Substantial Loss to You."

Unless otherwise specified in the applicable pricing supplement, we will pay interest, and any premium, in the specified currency based on the face amount of the currency indexed notes and at the rate and times and in the manner set forth in this prospectus supplement and in the applicable pricing supplement.

Other Indexed Notes

We may issue indexed notes, in which the amount of principal, or any premium, interest, or other amounts payable at or before maturity is determined by reference, either directly or indirectly, to the price or performance of:

- one or more securities;
- one or more commodities;
- any other financial, economic or other measures or instruments, including the occurrence or non-occurrence of any event or circumstance; and/or
- indices or baskets of any of these items.

The applicable pricing supplement relating to these other indexed notes will describe one or more of the following terms of your notes:

- the method by and the terms on which any amount of principal will be paid on or before maturity;
- the amount of any interest, premium or other amounts we will pay you or the formula we will use to calculate these amounts;

whether your notes will be exchangeable for or payable in cash, securities of an issuer other than The Bear Stearns Companies Inc. or other property;

additional tax consequences to the holders of these notes, and

a description of certain additional risks associated with investment in these notes and other information relating to these notes.

See "Risk Factors Holders of Indexed Notes are Subject to Important Risks that are not Associated with More Conventional Debt Securities."

Original Issue Discount Notes

We may issue original issue discount notes, including zero coupon notes, which may be fixed rate, floating rate, or indexed notes that are issued at a price lower than their principal amount or lower than their minimum repayment amount at maturity. Original issue discount notes may bear no interest or may bear interest at a rate that is below market rates at the time of issuance. For notes that do not have any periodic interest payments, interest normally accrues during the life of the notes and is paid at the maturity date or upon earlier redemption or prepayment. Upon an acceleration of the maturity of an original issue discount note, the amount of interest payable will be determined in accordance with the terms of the note as described in the applicable pricing supplement. That amount is normally less than the amount payable at the maturity date. See "Certain US Federal Income Tax Considerations Original Issue Discount."

Payment of Principal and Interest

Unless otherwise specified in the applicable pricing supplement, we will pay principal and any premium, interest or other amounts payable on all notes in the applicable specified currency. However, payments on notes denominated in a specified currency other than US dollars will be made in US dollars as described below, unless otherwise specified in the applicable pricing supplement.

At your option

Except as provided in the next paragraph, we will pay principal and premium, if any, and interest on all notes denominated in a specified currency other than US dollars in US dollars if the registered noteholder on the relevant record date or at maturity, as the case may be, has delivered a written request for payment of such note in US dollars to the Trustee at its Corporate Trust Office in New York City on or before the applicable record date or 15 days before maturity, as the case may be. The request may be made in writing (mailed or hand delivered) or by cable, telex or other form of facsimile transmission. Any request made will remain in effect with respect to further payments of principal (and premium, if any) and any interest with respect to the note payable to such holder unless the request is revoked on or before the relevant record date or 15 days before maturity, as the case may be. Please note that holders of notes denominated in a specified currency other than US dollars whose notes are registered in the name of a broker or nominee should contact that broker or nominee to determine whether and how an election to receive payments in US dollars should be made.

The US dollar amount to be paid to a holder of a note denominated in a specified currency other than US dollars who elects to receive payment in US dollars will be based on the highest bid quotation in New York City received by the Exchange Rate Agent as of 11:00 a.m. on the second Business Day before the applicable payment date from three recognized foreign exchange dealers (one of which may be the Exchange Rate Agent) for the purchase by the quoting dealer of the specified currency for US dollars for settlement on the payment date in the aggregate amount of the specified currency payable to all noteholders electing to receive US dollar payments and at which the applicable dealer commits to execute a contract. If three bid quotations are not available on the second Business Day before the date of payment, the payment will be made in the specified currency. All currency exchange costs associated with any payment in US dollars on notes denominated in specified currencies other than US dollars will be borne by the noteholder and will be deducted from the payment to such noteholder.

Interest will be payable to the person in whose name a note is registered, which in the case of global securities will be the depository or its nominee, at the close of business on the record date before each interest payment date. However, interest payable at maturity will be payable to the person to whom principal shall be payable, which in the case of global securities will be the depository or its nominee.

The total amount of any principal (and premium, if any) and any interest due on any global security representing one or more book-entry notes on any interest payment date or at maturity will be made available to the Trustee on such date. As soon as possible thereafter, the Trustee will make such payments to the depository. The depository will allocate the payments to each book-entry note represented by a global security and make payments to the holders of such global security in accordance with its existing operating procedures. We and the Trustee will not have any responsibility or liability for the payments by the depository. So long as the depository or its nominee is the registered holder of any global security, the depository or its nominee, as the case may be, will be considered the sole holder of the book-entry note or notes represented by such global security for all purposes under the indenture. We understand, however, that under existing industry practice, the depository will authorize the persons on whose behalf it holds a global security to exercise certain rights of holders of securities. See "Book-Entry Procedures and Settlement" in the accompanying prospectus.

Payments of principal (and premium, if any) and any interest with respect to a note to be made in a specified currency other than US dollars will be made by wire transfer to an account maintained by the noteholder with a bank located in the country issuing the specified currency. Payments may also be made to the noteholder's account in another jurisdiction that we and the Trustee have approved and which has been designated by the registered noteholder on the relevant record date or at maturity, as the case may be, in writing on or before the relevant record date before the interest payment date or 15 days before maturity, as the case may be, and, in the case of payments due at maturity, the note is presented to the Paying Agent in time for the Paying Agent to pay to that account in accordance with its normal procedures. The designation shall be made by filing the appropriate information with the Trustee at its Corporate Trust Office in the Borough of Manhattan, New York City, and, unless revoked in writing, will remain in effect with respect to any future payments on the note payable to such holder.

If payment cannot be made by wire transfer because the Trustee has not received the required designation on or before the requisite date or for any other reason, a notice will be mailed to the noteholder at its registered address requesting a designation by which the wire transfer can be made and, within five Business Days of receiving this designation, the Trustee will make the appropriate payment. We will pay any administrative costs imposed by banks in connection with making payments by wire transfer, however, except as specified in the applicable pricing supplement, any taxes, assessments or governmental charges imposed on payments will be borne by the noteholder to whom payments are made.

If the official unit of any component currency is changed as a result of combination or subdivision, the number of units of that currency as a component shall be divided or multiplied in the same proportion. If two or more component currencies are consolidated into a single currency, the amounts of those currencies as components shall be replaced by an amount in such single currency equal to the sum of the amounts of the consolidated component currencies expressed in that single currency. If any component currency is divided into two or more currencies, the amount of that currency as a component shall be replaced by amounts of those two or more currencies, each of which will have a value on the date of division equal to its proportionate share of the former component currency.

Notes denominated in a specified currency other than US dollars will provide that, in the event of an official redenomination of the specified currency, our obligations shall, in all cases, be deemed immediately following the redenomination to provide for payment of that amount of the redenominated specified currency representing the amount of such obligations immediately before the currency was redenominated.

All determinations set forth above to be made by the Calculation Agent and the Exchange Rate Agent, except as expressly provided in this prospectus supplement or the applicable pricing supplement, shall be conclusive for all purposes and binding on all noteholders and on us, in the absence of manifest error, and the Calculation Agent and the Exchange Rate Agent shall not be held liable for these determinations.

At our option in the case of an imposition of exchange controls or other circumstances beyond our control.

If the principal of (and premium, if any) or interest on any note is payable in a specified currency other than US dollars and that specified currency is not available due to the imposition of exchange controls or other circumstances beyond our control, or is no longer used by the government of the country issuing that currency or for settlement of transactions by public institutions of or within the international banking community, we may make the requisite payments in US dollars on the basis of the noon buying rate in New York City for cable transfers in that specified currency as certified for customs purposes by the Federal Reserve Bank of New York for that specified currency on the second Business Day before the applicable payment date or, if that exchange rate is not available, then on the basis of the most recently available exchange rate.

Exchangeable Notes

We may offer notes that are exchangeable at your option for securities, or cash representing the value of securities, of an entity unaffiliated with us; a basket of these securities; an index or indices of these securities or any combination of these options, all as will be described in the applicable pricing supplement. Exchangeable notes may bear interest or be issued with original issue discount or at a premium, all as will be specified in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, exchangeable notes will entitle you, either during a period or at specific times, to exchange your note for the underlying security or securities constituting the underlying basket, index or indices of these securities (or combination of these alternatives) at a specified rate of exchange. If so specified in the applicable pricing supplement, exchangeable notes will be redeemable at our option before maturity. If you do not elect to exchange your exchangeable note before maturity or any applicable date for redemption, you will receive the principal amount of such note or applicable redemption price in cash.

Upon exchange, at maturity or otherwise, of your exchangeable note, you may receive, at the specified exchange rate, either the underlying security or the securities constituting the relevant basket, index or indices or the cash value of such underlying security or securities, all as may be specified in the applicable pricing supplement. The underlying security or securities constituting any basket, index or indices may be the securities of either US or foreign entities, or both, and the exchangeable notes may provide for protection against fluctuations in the rate of exchange between the currency in which that note is denominated and the currency or currencies in which the market prices of the underlying security or securities are quoted, all as may be specified in the applicable pricing supplement. Exchangeable notes may have other terms, which will be specified in the applicable pricing supplement.

Reopened Issues

We may "reopen" certain issues at any time by offering additional notes with terms identical (other than issue date and issue price) to those of existing notes.

Extension of Maturity Date

The applicable pricing supplement will indicate whether we may extend the maturity of a note for one or more periods up to, but not beyond, the date that is set forth in the pricing supplement.

We may exercise our option to extend a note's maturity date by notifying the Trustee at least 60, but not more than 75 days, before the note's original maturity date that is in effect before we exercised our option. No later than 55 days before the original maturity date, the Trustee will mail to each noteholder a notice, first class, postage prepaid, setting forth:

(1) our election to extend the note's maturity date;

(2) the new maturity date;

(3) in the case of a fixed rate note, the interest rate that will apply to the extension period or, in the case of a floating rate note, the spread, the new Interest Reset Date(s), if any, and the new interest payment date(s), if any, that will apply to the extension period; and

(4) the provisions, if any, for redemption or repayment during the extension period.

Once the Trustee has mailed the extension notice to the noteholder, the note's maturity date shall be automatically extended and, except as may be modified by the extension notice or as described in the next paragraph, the note will have the same terms it did before the extension notice was mailed.

Notwithstanding the foregoing, no later than 20 days before a note's original maturity date, we may at our option revoke its interest rate, in the case of a fixed rate note, or the spread, in the case of a floating rate note, provided for in the extension notice and establish a higher interest rate or higher spread, as the case may be, for the extension period. We may do so by causing the Trustee to mail notice first class, postage prepaid, of a higher interest rate or higher spread, as the case may be, to the noteholder. The notice shall be irrevocable. All notes with respect to which the maturity date is extended will bear the higher interest rate or higher spread, as the case may be, for the extension period, whether or not they are tendered for repayment.

If we extend the maturity date of a note, the holder of such note may have the option to elect repayment of such note on the original maturity date at a price equal to the principal amount of the note plus any accrued interest to such date. In order for a note to be so repaid on the original maturity date, you must follow the procedures set forth under "Repayment and Repurchase" for optional repayment, except that the period for delivery of such note or notification to the Trustee shall be at least 25 but not more than 35 days before the original maturity date and except that a noteholder who has tendered a note for repayment pursuant to an extension notice may, by written notice to the Trustee, revoke any such tender for repayment until the close of business on the tenth day before the original maturity date.

Renewable Notes

We may offer notes the maturity of which may be renewed at your option for one or more specified periods up to but not beyond the final maturity of the notes. The specific terms for such extensions, including the date or dates on which the option can be exercised and whether the option can be exercised with respect to some but not all of the notes' outstanding principal balance, will be set forth in the applicable pricing supplement.

Redemption

Unless otherwise stated in the applicable pricing supplement, the notes will not have a sinking fund. Redemption dates, if any, will be fixed at the time of sale and stated in the applicable pricing supplement and on the applicable note. If no redemption date is indicated with respect to a note, the note will not be redeemable before it matures. We may redeem notes at our option beginning on a specified redemption date if the applicable pricing supplement permits redemption. Unless otherwise specified in the applicable pricing supplement, we may redeem such notes in whole or in part in

increments of $1,000 at a redemption price equal to 100% of the principal amount to be redeemed, together with interest payable up to the redemption date, by giving notice not more than 60 nor less than 30 days before the redemption date.

Repayment and Repurchase

Optional repayment dates will be set at the time of sale and set forth in the applicable pricing supplement and on the applicable note. Except as provided under "Extension of Maturity Date," if no optional repayment date is indicated, your note will not be repayable at your option before it matures.

If the applicable pricing supplement permits, you may cause us to repay your notes on particular dates. Unless otherwise specified in the applicable pricing supplement, we may be required to repay your notes in whole or in part in increments of $1,000, provided that any remaining principal amount of the note is at least $25,000. The repayment price will be equal to 100% of the principal amount to be repaid, plus accrued interest to the repayment date.

Unless otherwise specified in the applicable pricing supplement, for any note to be repaid in whole or in part at your option, you must deliver to the Trustee not less than 30 nor more than 60 days before the optional repayment date (or any shorter period as described under "Extension of Maturity Date"):

- the note to be repaid with the form entitled "Option to Elect Repayment" set forth on the reverse of such note duly completed; or

- a telegram, telex, facsimile transmission or a letter from a member of a national securities exchange or the National Association of Securities Dealers, Inc. or a commercial bank or a trust company in the US setting forth:
  - your name,
  - the principal amount of the note,
  - the certificate number of the note or a description of the note's tenor or terms,
  - the principal amount of the note to be repaid,
  - a statement that you are exercising your option to elect repayment, and
  - a guarantee that the note to be repaid, along with the form entitled "Option to Elect Repayment" duly completed, will be received by the Trustee no later than 5 Business Days after the date of the telegram, telex, facsimile transmission or letter.

The Trustee must receive the note and duly completed form entitled "Option to Elect Repayment" by the fifth Business Day after the date of such telegram, telex, facsimile transmission or letter. The exercise of the repayment option will be irrevocable, except as set forth under "Extension of Maturity Date."

If your note is represented by a global security, the depository's nominee will be the holder and, as a result, will be the only entity that can exercise a right to repayment. To ensure that the depository's nominee will timely exercise a right to repayment with respect to your interest in a global security, you must instruct the broker, or other direct or indirect participant through which you hold such interest, to notify the depository of your desire to exercise a right to repayment. To ascertain the time by which instructions must be given for timely notice to be delivered to the depository, you should consult the broker or other direct or indirect participant through which you hold your interest in a note.

The applicable pricing supplement may provide that the maturity of a floating rate note will be automatically extended for a specified period, unless you elect during a designated period to terminate the automatic extension of the maturity by following the procedures described in the applicable pricing supplement and in the floating rate note.

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