BEAR STEARNS COMPANIES INC
Form 424B5
July 18, 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 securities and are not soliciting an offer to buy these securities in any state where such an offer or sale would not be permitted.

Subject to Completion, dated July 18, 2006
PRICING SUPPLEMENT
(To Prospectus Dated February 2, 2005 and
Prospectus Supplement Dated February 2, 2005)

The Bear Stearns Companies Inc.

$ [   ] Medium-Term Notes, Linked to a Basket of Three International Equity Indices
Due August [   ], 2010

The Notes are fully principal protected if held to maturity and are linked to the potential positive performance of an equally-weighted basket comprised of the following three equity indices: (1) the S&P 500® Index (SPX); (2) the Dow Jones EURO STOXX 50® Index (SX5E); and (3) the Nikkei 225SM Index (NKY) (each such index a Component and together the Basket). 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 on whether the average of the percentage change of each Component (Basket Return) is greater than zero on the Calculation Date. Because the Notes are principal protected if held to maturity, in no event will the Cash Settlement Value be less than the principal amount of the Notes.

If, on the Calculation Date, the Basket Return is greater than zero, then, at maturity, we will pay you the principal amount of the Notes, plus:

$1,000 x Basket Return x Participation Rate

If, on the Calculation Date, the Basket Return is equal to or less than zero, then the Cash Settlement Value will be $1,000. Because the Notes are principal protected if held to maturity, in no event will the Cash Settlement Value be less than $1,000.

The CUSIP number for the Notes is 073928Q97.

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

Each Component is a service mark or trademark of the Sponsor of such Component and has been, or will be, licensed for use by The Bear Stearns Companies Inc. The Notes, which are linked to the performance of the Components, are not sponsored, endorsed, sold or promoted by the Sponsor of any Component; and the Sponsors of such Components make no representations 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	[100.00]%*	$	[ ]
Agent s discount	[ ]%	$	[ ]
Proceeds, before expenses, to us	[ ]%	$	[ ]

* Investors who purchase an aggregate principal amount of at least $1,000,000 of this Note offering will be entitled to purchase 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 price will be a function of the prevailing market conditions and level of the Basket at the time of the relevant sale.

We may grant Bear, Stearns & Co. Inc. 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 August [ ], 2006, against payment in immediately available funds. The distribution of the Notes will conform to the requirements set forth in Rule 2720 of the NASD Inc. Conduct Rules.

Bear, Stearns & Co. Inc.

July [   ], 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 Basket. 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 section Risk Factors in this pricing supplement and Risk Factors in 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 a Basket of Three International Equity Indices, Due August [ ], 2010 (the Notes) are Notes whose return is tied or linked to the potential positive performance of an equally-weighted basket comprised of the following three equity indices: (1) the S&P 500® Index (SPX); (2) the Dow Jones EURO STOXX 50® Index (SX5E); and (3) the Nikkei 225SM Index (NKY) (each such index a Component and together the Basket). When we refer to Note or Notes in this pricing supplement, we mean $1,000 principal amount of Notes. The Notes are principal protected. On the Maturity Date you will receive the Cash Settlement Value, an amount in cash that depends on whether the average of the percentage change of each Component (Basket Return) is greater than zero on the Calculation Date. If the Basket Return is greater than zero on the Calculation Date, we will pay you the principal amount of the Notes, at maturity, plus $1,000 x Basket Return x [100]%. If the Basket Return is less than or equal to zero on the Calculation Date, the Cash Settlement Value, at maturity, will be $1,000.

Selected Investment Considerations

Principal protection Because the Notes are principal protected if held to maturity, in no event will you receive a Cash Settlement Value less than $1,000 per Note. If the Basket Return is less than or equal to zero, you will receive the principal amount of the Notes.

Diversification The Basket is comprised of the following three equally-weighted international equity indices: (1) the S&P 500® Index; (2) the Dow Jones EURO STOXX 50® Index; and (3) the Nikkei 225SM Index. Therefore, the Notes may allow you to diversify an existing portfolio or investment.

Low minimum investment The minimum purchase is $1,000, with increments of $1,000 thereafter.

Exchange-listed The Notes will be listed on the American Stock Exchange.

Taxes For U.S. federal income tax purposes, we intend to treat the Notes as contingent payment debt instruments. As a result, you will be required to include original issue discount (OID) in income during your ownership of the Notes even though no cash payments will be made with respect to the Notes until maturity. Additionally, you will generally be required to recognize ordinary income on the gain, if any, realized on a sale, upon maturity, or other disposition of the Notes. You should review the discussion under the section entitled Certain U.S. Federal Income Tax Considerations in this pricing supplement.

Selected Risk Considerations

No current income We will not pay any interest on the Notes. The yield on the Notes therefore 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.

No dividend or other payments You will not receive any dividend payments or other distributions on the stocks underlying the indices that comprise the Basket; nor will such payments be included in the calculation of the Cash Settlement Value you will receive at maturity.

Possible loss of value in the secondary market Your principal investment in the Notes is protected only if you hold your Notes to maturity. If you sell your Notes prior to the Maturity Date, you may receive less, and possibly significantly less, than the amount you originally invested.

The Components may not move in tandem At a time when the value of one or more of the Components increases, the value of one or more of the other Components may decline. Therefore, in calculating the Basket Performance, increases in the value of one or more of the Components may be moderated, or wholly offset, by lesser increases or declines in the value of one or more of the other Components.

KEY TERMS

Issuer: The Bear Stearns Companies Inc.

Basket: The Basket is equally weighted and comprised of three international equity indices: (1) the S&P 500® Index; (2) the Dow Jones EURO STOXX 50® Index; and (3) the Nikkei 225^{SM} Index. (Each such index is a Component and together the Basket.) The weighting of each Component is fixed at 1/3, or 33%, and will not change during the term of the Notes unless one or more Components are modified during the term of the Notes.

Face amount: The Notes will be denominated in U.S. dollars. 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 Economic Area 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.

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.

Sponsors and Tickers: The Summary of the Components below details the Sponsors and the Bloomberg ticker symbol for each Component.

Interest: The Notes will not bear interest.

Component Level: The closing level, as determined by the applicable Sponsor, of the applicable Component on the applicable Business Day.

Initial Component Level: The closing level, as determined by the applicable Sponsor, of the applicable Component on the applicable Pricing Date.

Final Component Level: The closing level, as determined by the applicable Sponsor, of the applicable Component on the Calculation Date.

Component Return:

Basket Return: The sum of the Component Returns for all Components in the Basket divided by the number of Components.

Participation Rate: [100]%.

Cash Settlement Value: On the Maturity Date you will receive the Cash Settlement Value, an amount in cash that depends upon the performance of the Basket Return. If the Basket Return is greater than zero on the Calculation Date, we will pay you the principal amount of the Notes, plus:

$1,000 x Basket Return x Participation Rate

If the Basket Return is equal to or less than zero on the Calculation Date, you will receive the principal amount of the Notes because the Notes are principal protected if held to maturity.

Pricing Date: The Summary of the Components below details the Pricing Date for each Component.

Calculation Date: The Summary of the Components below details the Calculation Date for each Component; if the applicable day is not a Component Business Day for that Component, the next Component Business Day will be the Calculation Date.

Maturity Date: The Notes will mature on August [ ], 2010.

Exchange listing: Subject to meeting certain listing criteria, we expect to list the Notes on the American Stock Exchange, under the symbol [ ].

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.

Relevant Exchanges: The Summary of the Components below details the Relevant Exchanges for each Component.

Component Business Day: With respect to each Component, will be a calendar day, as determined by the Calculation Agent, on which such Component or any Successor Component is calculated and published and on which securities comprising more than 80% of the value of such Component on such day is capable of being traded on the applicable Relevant Exchange. 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.

Summary of Components

Component	Sponsor	Bloomberg Ticker Symbol	Pricing Date (the date below represents the date in the time zone of the applicable Relevant Exchanges)	Initial Component Level	Calculation Date (the date below represents the date in the time zone of the applicable Relevant Exchanges)	Relevant Exchanges
S&P 500® Index	Standard & Poor s (S&P)	SPX <Index>	July [ ], 2006	[ ]	July [ ], 2010	New York Stock Exchange and Nasdaq
Dow Jones EURO STOXX 50® Index	STOXX Limited (STOXX)	SX5E <Index>	July [ ], 2006	[ ]	July [ ], 2010	Major stock exchanges, respectively located in one of 17 European countries, including London Stock Exchange, Frankfurt Stock Exchange and others.
Nikkei 225SM Index	Nihon Keizai Shimbun, Inc. or its successor (NKS)	NKY <Index>	July [ ], 2006	[ ]	July [ ], 2010	Tokyo Stock Exchange or its successor (the TSE)

Offers and sales of the Notes are subject to restrictions in certain jurisdictions. The distribution of this pricing supplement, 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 Economic Area 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 potential positive performance of the Basket Return. 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 the Maturity Date. 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 the Notes.

Are the Notes equity or debt securities?

The Notes are our unsecured debt securities. The Notes are principal protected if held to maturity. However, the Notes differ from traditional debt securities in that the Notes offer the opportunity to participate in the positive performance of the Basket Return, if any.

What will I receive at maturity of the Notes?

We have designed the Notes for investors who want to protect their investment by receiving at least 100% of the principal amount of their Notes at maturity. On the Maturity Date, you will receive the Cash Settlement Value, an amount in cash that depends upon the performance of the Basket Return. If the Basket Return is less than or equal to zero on the Calculation Date, the Cash Settlement Value will equal the principal amount of the Notes.

If the Basket Return is greater than zero on the Calculation Date, we will pay you the principal amount of the Notes, plus:

$1,000 x Basket Return x Participation Rate

If the Basket Return is equal to or less than zero on the Calculation Date, you will receive the principal amount of the Notes because the Notes are principal protected if held to maturity.

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 & 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 price will be a function of the prevailing market conditions and level of the Basket at the time of the relevant sale.

What does principal protected mean?

Principal protected means that at maturity your principal investment in the Notes will not be at risk as a result of a decrease in the Basket Return. If the Basket Return is equal to or less than zero on the Calculation Date, the Cash Settlement Value at maturity will be $1,000. You may receive less than the principal amount of the Notes if you sell your Notes prior to maturity.

Will I receive interest on the Notes?

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

What is the Basket?

The Basket is comprised of three international equity indices: 1) the S&P 500® Index; (2) the Dow Jones EURO STOXX 50® Index; and (3) the Nikkei 225SM Index (each such index a Component and together the Basket). The weighting of each Component is fixed at 1/3, or 33%, and will not change during the term of the Notes unless one or more of the Components is modified during the term of the Notes. For more specific information about the Basket, please see the section Description of the Basket. Unless otherwise stated, all information regarding the Components that is provided in this pricing supplement is derived from the Sponsors or other publicly available sources.

Who publishes information regarding the Components and where can I obtain further information?

S&P 500® Index. The S&P 500® Index is a free-float weighted stock index published by Standard & Poor s (S&P) and is intended to track the price movements of the common stocks comprising the S&P 500® Index. As of June 30 2006, the common stocks of 424 companies, or 86.0% of the market capitalization of the S&P 500® Index, were traded on the New York Stock Exchange (NYSE) and the common stocks of 76 companies, or 14.0% of the market capitalization of the S&P 500® Index, were traded on The Nasdaq Stock Market (Nasdaq). The S&P 500® Index is quoted in U.S. dollars. You can obtain the level of the S&P 500® Index from the Bloomberg service under the symbol SPX <Index> or from the S&P website at http://www.spglobal.com.

Dow Jones EURO STOXX 50® Index. The Dow Jones EURO STOXX 50® Index is a free-float weighted index of 50 European blue-chip companies and is calculated, published and disseminated by STOXX Limited, a partnership of Deutsche Börse AG, Dow Jones & Company, Euronext Paris SA and SWX Swiss Exchange. The Dow Jones EURO STOXX 50® is currently comprised of 50 stocks that respectively trade on major stock exchanges located in one of 17 European countries. The Dow Jones EURO STOXX 50® Index is quoted in Euros. You can obtain the level of the Dow Jones EURO STOXX 50® Index from the Bloomberg service under the symbol SX5E <Index> or from the Dow Jones website at http://www.djindexes.com.

Nikkei 225SM Index. The Nikkei 225SM Index is a modified, price-weighted stock index calculated, published and disseminated by Nihon Keizai Shimbun, Inc. (NKS) that measures the composite price performance of selected Japanese stocks. The Nikkei 225SM Index is currently comprised of 225 stocks that trade on the Tokyo Stock Exchange and represents a broad cross-section of Japanese industry. All 225 of the stocks underlying the Index are stocks listed in the First Section of the Tokyo Stock Exchange. The Nikkei 225SM Index is quoted in Japanese yen. You can obtain the level of the Nikkei 225SM Index from the Bloomberg service under the symbol NKY <Index> or from the Tokyo Stock Exchange website at http://www.tse.or.jp/english/index.shtml.

How has the Basket performed historically?

We have provided tables depicting the highest and lowest daily levels for each of the Components, as well as the end-of-quarter closing levels for each of the Components, for each quarter beginning with January 2001. You can find these tables in the section Description of the Basket Historical Data on the Components. We have provided this historical information to help you evaluate the behavior of the Basket in various economic environments; however, the time period depicted is relatively limited and past performance is not indicative of the manner in which the Basket will perform in the future. You should refer to the section Risk Factors The historical performance of the Components and the historical pro forma performance of the Basket is not an indication of the future performance.

Will the Notes be listed on a securities exchange?

Yes. The Notes will be listed on the American Stock Exchange.

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 to buy and sell the Notes to create a secondary market for holders of the Notes, **Bear to confirm** 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 once 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. 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 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 price performance of the Components, they may be appropriate for investors with specific investment horizons who seek to participate in the potential price appreciation of the Components. In particular, the Notes may be an attractive investment for you if you:

want potential upside exposure to the Components underlying the Basket;

believe that the Basket will increase over the term of the Notes;

understand that the Components may not move in tandem and that increases in one or more Components may be offset by decreases in one or more other Components;

do not want to place your principal at risk and are willing to hold the Notes until maturity; and

are willing to forgo interest payments or dividend payments on the stocks underlying the Components of Basket.

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

seek an investment with an active secondary market;

you seek current income or dividend payments from your investment;

you are unable or unwilling to hold the Notes until maturity; or

you do not have a bullish view of the Basket over the term of the Notes.

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

We intend to treat the Notes as contingent payment debt instruments for federal income tax purposes. Therefore, a U.S. Holder of a Note will be required to include OID in gross income over the term of the Note even though no cash payments will be made with respect to the Notes until maturity. The amount of OID includible in each year is based on the comparable yield. In addition, we will compute a projected payment schedule that reflects a single payment at maturity that produces the comparable yield. The comparable yield and the projected payment schedule are neither predictions nor guarantees of the actual yield on the Notes or the actual payment at maturity. If the amount we actually pay at maturity is, in fact, less than the amount reflected on the projected payment schedule, then a U.S. Holder would have recognized taxable income in periods prior to maturity that exceeds the U.S. Holder s economic income from holding the Note during such periods (with an offsetting ordinary loss). If a U.S. Holder disposes of the Note prior to maturity, the U.S. Holder will be required to treat any gain recognized upon the disposition of the Note as ordinary income (rather than capital gain). You should review the discussion under the section entitled Certain U.S. Federal Income Tax Considerations in this pricing supplement.

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 of 1986, as amended (the 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 the individual or entity making the decision on behalf of such plan or entity to invest in the Notes 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 Code for which an exemption is not available. Government plans subject to any materially similar law will also be subject to a similar condition. You should review the discussion under Certain ERISA Considerations in this pricing supplement.

An employee benefit plan subject to the fiduciary responsibility provisions of the Employee Retirement Income Security Act of 1974 (ERISA), a plan that is subject to Section 4975 of the Internal Revenue Code of 1986, as amended (the Code), including individual retirement accounts, individual retirement annuities or Keogh plans, a governmental plan subject to any materially similar law 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, subject to certain conditions. Such investors should carefully review the discussion under Certain ERISA Considerations in this pricing supplement before investing in the Notes.

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 will be subject to risks not associated with conventional fixed-rate or floating-rate debt securities. Prospective purchasers should recognize the possibility of a 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 Components will fluctuate. 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.

Your Notes are principal protected only if you hold the Notes until maturity.

If you sell your Notes prior to maturity, you may receive less than the amount you originally invested.

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 interest 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 debt security of comparable maturity that bears interest at a prevailing market rate and is principal protected. For more specific information about the Cash Settlement Value and for illustrative examples, you should refer to the section Description of the Notes.

Owning the Notes is not the same as having rights in the securities underlying the Components.

Even if the Components increase above the initial levels during the term of the Notes, the trading value of the Notes may not increase by the same amount. It is also possible for the Basket Return to increase while the trading value of the Notes declines.

Your yield will not reflect dividends or other distributions on the securities underlying the Components.

The Basket does not reflect the payment of dividends or other distributions on the securities underlying the Components. Therefore, the yield you will receive by holding the Notes to maturity will not be the same as if you had purchased such Components and held them for a similar period.

You must rely on your own evaluation of the merits of an investment linked to the Basket.

In the ordinary course of our business, we may from time to time express views on expected movements in the Basket, in the Components and in the securities underlying the Components. These views may vary over differing time horizons and are subject to change without notice. Moreover, other professionals who deal in the equity markets may at any time have views that differ significantly from ours. In connection with your purchase of the Notes, you should investigate the Basket, the Components and the securities underlying the Components and not rely on our views with respect to future movements in these Components and stocks. You should make such investigation as you deem appropriate as to the merits of an investment linked to the Basket.

Tax Consequences.

For U.S. federal income tax purposes, we intend to treat the Notes as contingent payment debt instruments. As a result, U.S. Holders will be required to include OID in income during their ownership of the Notes even though no cash payments will be made with respect to the Notes until maturity. The amount of OID includible in each year is based on the comparable yield. In addition, we have computed a projected payment schedule that reflects a single payment at maturity that produces the comparable yield. The comparable yield and the projected payment schedule are neither predictions nor guarantees of the actual yield on the Notes or the actual payment at maturity. If the amount we actually pay at maturity is, in fact, less than the amount reflected on the projected payment schedule, then a U.S. Holder would have recognized taxable income in periods prior to maturity that exceeds the U.S. Holder s economic income from holding the Note during such periods (with an offsetting ordinary loss). Additionally, U.S. Holders will generally be required to recognize ordinary income on the gain, if any, realized on a sale, upon maturity, or other disposition of the Notes. You should review the discussion under the section entitled Certain U.S. Federal Income Tax Considerations in this pricing supplement.

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 Basket will fluctuate in accordance with changes in the financial conditions of the companies issuing the securities underlying the Components, the value of the underlying securities generally and other factors. The financial conditions of the issuers of the securities underlying the Components may become impaired or the general condition of the global equity markets may deteriorate, either of which may cause a decrease in the value of the Basket 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 underlying the Components change. Investor perceptions regarding the companies issuing the securities comprising the Components 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 Basket may be expected to fluctuate until the Maturity Date.

The historical performance of the Components and the historical pro forma performance of the Basket is not an indication of the future performance.

The historical performance of the Components and the Basket should not be taken as an indication of their future performance. While the trading prices of the securities comprising the Components will determine the value of the Basket, it is impossible to predict whether the value of the Basket will fall or rise. Trading prices of the securities comprising the Components 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 the equity trading markets on which the underlying securities are traded, in particular, and by various circumstances that can influence the values of the underlying securities in a specific market segment or the value of a particular underlying security.

The formula for determining the Cash Settlement Value does not take into account changes in the levels of the Components underlying the Basket prior to the Calculation Date.

Changes in the levels of the Components underlying the Basket during the term of the Notes before the date on which the Cash Settlement Value is calculated will not be reflected in the calculation of the Cash Settlement Value. The Calculation Agent will calculate the Cash Settlement Value based upon the Basket Performance as of the Calculation Date. As a result, you may not receive more than the initial public offering price of $1,000 per each $1,000 principal amount of Notes even if the value of the Basket has increased at certain times during the term of the Note before falling on the Calculation Date.

The Cash Settlement Value will not be adjusted for changes in currency exchange rates.

Although the securities underlying certain of the Components are traded in currencies other than the U.S. dollar and the Notes are denominated in U.S. dollars, the amount payable on the Maturity Date will not be adjusted for the currency exchange rates in effect on the Maturity Date. Any amount in addition to the principal amount of each Note payable to you on the Maturity Date is based solely upon the percentage increase in the Basket Return. Changes in exchange rates, however, may reflect changes in various international economies, which in turn may affect the levels of the Components and the Notes.

The securities underlying certain Components trade at different times; however, if an active secondary market develops, the Notes may trade only during regular trading hours in the United States.

The hours of trading for the Notes may not conform to the hours during which the securities underlying certain of the Components 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 securities comprising certain of the Components that will not be reflected immediately in the price of the Notes.

As a result of the time difference among the cities where the securities underlying certain of the Components trade, and New York City (where the Notes may trade), there may be discrepancies between the levels of the Components, 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 an applicable country), causing the level of a particular Component to remain unchanged for multiple New York City trading days.

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

The securities underlying certain of the Components 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 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; less liquidity and smaller market capitalizations; less rigorous regulation of securities markets; governmental interference; higher inflation; and social, economic and political uncertainties. These factors may adversely affect the performance of certain of the Components and, as a result, the Cash Settlement Value may be adversely affected.

The prices and performance of securities underlying the Components also may be affected by political, economic, financial and social factors. In addition, recent or future changes in the government, economic and fiscal policies, the possible imposition of, or changes in, currency exchange laws or other laws or restrictions, and possible fluctuations in the rate of exchange between currencies, are factors that could negatively affect the international securities markets. Moreover, the applicable international economies may differ favorably or unfavorably from that of the United States.

The Components may not move in tandem; and gains in one Component may be offset by declines in another Component.

Price movements in the Components comprising the Basket may not move in tandem. At a time when the value of one or more of the Components increases, the value of one or more of the other Components may decline. Therefore, in calculating the Basket Performance, increases in the value of one or more of the Components may be moderated, or wholly offset, by lesser increases or declines in the value of one or more of the other Components.

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 had 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 Basket, whether the closing level of the Basket is greater than or equal to its initial level, changes in U.S. interest rates, 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 closing level of the Basket is less than, equal to or not sufficiently above its initial level. The following paragraphs describe the manner in which we expect 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.

Value of the Basket. We expect that the trading value of the Notes will depend substantially on the amount, if any, by which the Basket Return at any given time is greater than zero. If you decide to sell your Notes when the Basket Return is greater than zero, you may nonetheless receive substantially less than the amount that would be payable at maturity based on that Basket Return because of expectations that the Basket Return will continue to fluctuate until the Cash Settlement Value is determined.

Volatility of the Basket. Volatility is the term used to describe the size and frequency of market fluctuations. If the volatility of the Basket Return increases or decreases, the trading value of the Notes may be adversely affected. This volatility may increase the risk that the Basket Return will decline, which could negatively affect the trading value of Notes. The effect of the volatility of the Basket on the trading value of the Notes may not necessarily decrease over time during the term of the Notes.

Correlation among the prices of the Components underlying the Basket. Correlation is the extent to which the values of the Components underlying the Basket increase or decrease to the same degree at the same time. To the extent that correlation among the Components underlying the Basket changes, the volatility of the Components underlying the Basket may change and the value of the Notes may be adversely affected.

Interest rates. We expect that the trading value of the Notes will be affected by changes in interest rates. In general, if interest rates increase, the value of outstanding debt securities tends to decrease; conversely, if interest rates decrease, the value of outstanding debt securities tends to increase. Interest rates may also affect the economy and, in turn, the value of the Basket, which may affect the value of the Notes. Rising interest rates may lower the value of the Basket and, thus, 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 level of the Basket, 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. A time premium results from expectations concerning the Component Levels 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.

Dividend yield. The value of the Notes may also be affected by the dividend yields on the stocks underlying the Basket. In general, because the Basket does not incorporate the value of dividend payments, higher dividend yields will likely reduce the value of the Notes and, conversely, lower dividend yields will likely increase the value of the Notes.

Volatility of currency exchange rates. The exchange rates between the U.S. dollar and the foreign currencies in which the securities underlying certain of the Components are denominated are foreign exchange spot rates that measure the relative values of two currencies: the particular currency in which the securities underlying a particular Component are denominated and the U.S. dollar. The spot rate is expressed as a rate that reflects the amount of the particular currency that can be purchased for one U.S. dollar. If the volatility of the exchange rate between the U.S. dollar and any of the foreign currencies in which the securities underlying certain of the Components are denominated changes, the trading value of the Notes may be adversely affected.

Correlation between currency exchange rates and the Components. Correlation is the term used to describe the relationship between the percentage changes in the exchange rate between the U.S. dollar and each of the foreign currencies in which the securities underlying certain of the Components are denominated and the percentage changes between each Component. If the correlation between the relevant exchange rates and the particular Component changes, the trading value of the Notes may be adversely affected.

Events involving the companies issuing the securities comprising the Components. General economic conditions and earnings results of the companies whose securities comprise the Components, and real or anticipated changes in those conditions or results, may affect the trading value of the Notes. Some of the securities underlying the Components may be affected by mergers and acquisitions, which can contribute to volatility of the Basket. As a result of a merger or acquisition, one or more securities in the Components 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 Basket.

Size and liquidity of the trading market. Although the Notes will be listed on the American Stock Exchange, there may not be an active secondary market in the Notes, which may affect the price that you receive for your Notes upon any sale prior to maturity. If an active secondary market does develop, there can be no assurance that there will be liquidity in the secondary market. If the secondary 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 price at which any such bids will be made.

Inclusion of commission. The inclusion of commissions and projected profit from hedging in the initial public offering price of the Notes is likely to adversely affect secondary market prices. Assuming no change in the market conditions or any other relevant factors, the price, if any, at which Bear Stearns may be willing to purchase the Notes in secondary market transactions may be lower than the original price of the Notes, because the original price included, and secondary market prices are likely to exclude, commissions paid with respect to the Notes, as well as the projected profit included in the cost of hedging our obligations under the Notes. In addition, any such prices may differ from values determined by pricing models used by Bear Stearns as a result of dealer discounts, mark-ups or other 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 value of the Basket.

Reported Component levels may be based on non-current information.

If trading is interrupted in the securities underlying certain of the Components, publicly available information regarding the Basket Return may be based on the last reported prices or levels. As a result, publicly available information regarding reported Component levels may at times be based on non-current information.

Risks associated with the Components underlying the Basket may adversely affect the market price of the Notes.

Because the Notes are linked to changes in the values of equity indices representing three specific geographic sectors, the Basket will be less diversified than funds or investment portfolios investing in a broader range of international securities and, therefore, could experience greater volatility.

Suspensions or disruptions of market trading in the equity securities markets may adversely affect the Cash Settlement Value at maturity and/or the market value of the Notes.

The equity securities 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. Suspension or other disruptions of market trading in the securities underlying certain of the Components could adversely affect the value of those Components and, therefore, the Cash Settlement Value and/or the trading value of the Notes.

Adjustments to the Components could adversely affect the value of the Notes

The policies of a Sponsor concerning additions, deletions and substitutions of the securities underlying the applicable Component and the manner in which such Sponsor takes account of certain changes affecting such underlying securities may affect the level of the Component and thus the Basket. You should realize that changes in the companies included in a Component may affect the Component, as a newly-added company may perform significantly better or worse than the company or companies it replaces. The Sponsor of a Component also may discontinue or suspend calculation or dissemination of such Component or materially alter the methodology by which it calculates such Component. Any such actions could affect the value of the Notes.

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 Basket Return, or deciding whether a Market Disruption Event has occurred. You should refer to Description of the Notes Discontinuance of one or more component Indices, Adjustments to the Components and Market Disruption Events. Because Bear Stearn is our affiliate, 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.

Our affiliates, including Bear Stearns, may, at various times, engage in transactions involving the stocks underlying the Basket for their proprietary accounts, and for other accounts under their management. These transactions may influence the value of such stocks, and therefore the value of the Basket. BSIL, an affiliate of Bear Stearns, will also be the counterparty to the hedge of our obligations under the Notes. You should refer to Use of Proceeds and Hedging. Accordingly, under certain circumstances, conflicts of interest may arise between Bear Stearns responsibilities as Calculation Agent with respect to the Notes and BSIL s obligations under our hedge.

Changes that affect the calculation of a Component will affect the trading value of the Notes and the amount you will receive at maturity.

The Sponsors are responsible for maintaining and calculating the levels of the applicable Components. The policies of a Sponsor concerning the calculation of a Component will affect the level of the Component and, therefore, the trading value of the Notes and the Cash Settlement Value.

If a Sponsor discontinues or suspends calculation or publication of a Component, it may become difficult to determine the trading value of the Notes or the Cash Settlement Value. If a Sponsor discontinues or suspends calculation of a Component at any time prior to the Maturity Date and a Successor Component 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 Component. In addition, if the method of calculating a Component (or a Successor Component) is changed in a material respect, or if a Component (or a Successor Component) is in any other way modified so that such Component (or Successor Component) does not, in the opinion of the Calculation Agent, fairly represent the level of the Component (or Successor Component) had such changes or modifications not been made, the Calculation Agent will make such calculations and adjustments as, in its good faith judgment, may be necessary to arrive at a level of a security index comparable to the Component (or Successor Component) as if such changes or modifications had not been made. In each such event, the Calculation Agent s determination of the value of the Notes will affect the amount you will receive at maturity. See Description of the Notes and Description of the Components.

We cannot control actions by the companies whose stocks are included in each Component.

The common stock of The Bear Stearns Companies Inc. is an underlying stock of the S&P 500 Index. We are not affiliated with any of the other companies whose securities underlie the Components. However, we may currently, or in the future, engage in business with such companies. Actions by any company whose security is part of a Component may have an adverse effect on the price of the company s securities, the trading price of and the closing level of the Component and the Basket, and the trading value of the Notes. No such company is involved in this offering or has any obligations with respect to the Notes, including any obligation to take our or your interests into consideration for any reason. These companies will not receive any of the proceeds of this offering and are not responsible for, and have not participated in, the determination of the timing of, prices for, or quantities of, the Notes to be issued. These companies are not involved with the administration, marketing or trading of the Notes and have no obligations with respect to the amount to be paid to you on the Maturity Date.

Neither we nor any of our affiliates, including Bear Stearns, assumes any responsibility for the adequacy or accuracy of any publicly available information about the securities underlying the Components or the Components. You should make your own investigation into the companies underlying each Component.

We and our affiliates have no affiliation with any Sponsor and are not responsible for any Sponsor s public disclosure of information.

We and our affiliates are not affiliated in any way with any Sponsor (except for the licensing arrangements discussed in the section Description of the Basket License Agreements) and have no ability to control or predict any Sponsor s actions, including any errors in or discontinuation of disclosure regarding its methods or policies relating to the calculation of the applicable Component. Neither we nor any of our affiliates assumes any responsibility for the adequacy or accuracy of the information about the Components or the Sponsors contained in this pricing supplement. You, as an investor in the Notes, should make your own investigation into the Components and the Sponsors. The Sponsors 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.

Trading and other transactions by us or our affiliates could affect the prices of the stocks underlying the Basket, the level of the Basket, 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 shares of the stocks underlying the Basket 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 could affect the prices of those stocks or the level of the Basket 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 Basket 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 any of the stocks that comprise the Basket, or derivative or synthetic instruments related to those stocks or the Basket, 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 Basket. 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 Basket, 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.

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 relating to the Basket or the companies issuing the securities included in the Basket. 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 prices of the securities included in the Basket and, therefore, the value of the Notes. Similarly, we may in the past have issued or may in the future issue Notes that permit a purchaser to take a different view with respect to the movements of the Components than do the Notes (e.g., to take a bearish rather than a bullish view).

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 Basket or a Component thereof. 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, at present or in the future, may engage in business with the companies issuing the securities included in the Basket, including making loans to, equity investments in, or providing investment banking, asset management or other advisory services to those companies. 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, or an Event of Default.

If the Calculation Agent determines that, on the Calculation Date, a Market Disruption Event has occurred or is continuing, the determination of the value of the Basket 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 is specified on the cover. The Notes will mature on the Maturity Date 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 issuances 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 prices 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 Index at the time of the relevant sale.

Interest

We will not make any periodic payments of interest on the Notes.

Payment at Maturity

Your investment is principal protected only if you hold the Notes until maturity. On the Maturity Date you will receive the Cash Settlement Value, an amount in cash that depends upon whether the Basket Return is greater than zero on the Calculation Date.

If, on the Calculation Date, the Basket Return is greater than zero, then, at maturity, we will pay you the principal amount of the Notes, plus:

$1,000 x Basket Return x Participation Rate

If, on the Calculation Date, the Basket Return is equal to or less than zero, then the Cash Settlement Value will be $1,000. Because the Notes are principal protected if held to maturity, in no event will the Cash Settlement Value be less than $1,000.

The Basket is equally weighted and comprised of three international equity indices: (1) the S&P 500® Index; (2) the Dow Jones EURO STOXX 50® Index; and (3) the Nikkei 225SM Index (each such index is a Component and together the Basket) The weighting of each Component is fixed at 1/3, or 33%, and will not change during the term of the Notes unless one or more Components are modified during the term of the Notes.

The Participation Rate is [100]%.

The Initial Component Level means the applicable Component level on the Pricing Date (as set forth in Summary of the Components below).

The Final Component Level means the closing level of the applicable Component on the Calculation Date.

The Component Return equals:

The Basket Return is the sum of the Component Returns of all of the Components in the Basket divided by the number of Components, which equals:

The Pricing Date is [July], 2006.

The Calculation Date is [July], 2010. If that day is not a Component Business Day for a particular Component, the next Component Business Day will be the Calculation Date for such Component (see Summary of the Components below).

The Maturity Date is August [ ], 2010.

The Participation Rate is [100]%.

The Calculation Agent is 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.

The Summary of the Components below details the Relevant Exchanges for each Component.

A Component Business Day will be a day, as determined by the Calculation Agent, on which the applicable Component or any Successor Component is calculated and published and on which securities comprising more than 80% of the value of any Component on such day are capable of being traded on the Relevant Exchanges. 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.

The following table details the Sponsor, ticker symbol, Initial Component Level, Calculation Date and Relevant Exchange for each Component.

Summary of the Components

Component	Sponsor	Bloomberg Ticker Symbol	Pricing Date (the date below represents the date in the time zone of the applicable Relevant Exchanges)	Initial Component Level	Calculation Date (the date below represents the date in the time zone of the applicable Relevant Exchanges)	Relevant Exchanges
S&P 500® Index	Standard & Poor s (S&P)	SPX <Index>	July [ ], 2006	[ ]	July [ ], 2010	New York Stock Exchange and Nasdaq
Dow Jones EURO STOXX 50® Index	STOXX Limited (STOXX)	SX5E <Index>	July [ ], 2006	[ ]	July [ ], 2010	Major stock exchanges respectively located in one of 17 European countries, including London Stock Exchange, Frankfurt Stock Exchange and others.
Nikkei 225SM Index	Nihon Keizai Shimbun, Inc. or its successor (NKS)	NKY <Index>	July [ ], 2006	[ ]	July [ ], 2010	Tokyo Stock Exchange or its successor (the TSE)

Illustrative Examples

The following table demonstrates the hypothetical Cash Settlement Value of a Note based on the assumptions outlined below. The table does not purport to be representative of every possible scenario concerning increases or decreases in the Basket. You should not construe this table as an indication or assurance of the expected performance of the Notes. Actual returns may be different. The table demonstrating the hypothetical Cash Settlement Value of a Note is 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 Initial Component Level for SPX is equal to 1240.00.

The Initial Component Level for SX5E is equal to 3500.00.

The Initial Component Level for NKY is equal to 15000.00.

All returns are based on a 48-month term; pre-tax basis.

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

SPX Initial	SPX Final	SX5E Initial	SX5E Final	NKY Initial	NKY Final	Basket Return	Participation Rate		Cash Settlement Value	Percentage Return Per Note
1240	2108	3500	5950	15000	25500	70.00%	[100]%	$	[1700]	[70.00]%
1240	1984	3500	5600	15000	24000	60.00%	[100]%	$	[1600]	[60.00]%
1240	1860	3500	5250	15000	22500	50.00%	[100]%	$	[1500]	[50.00]%
1240	1736	3500	4900	15000	21000	40.00%	[100]%	$	[1400]	[40.00]%
1240	1612	3500	4550	15000	19500	30.00%	[100]%	$	[1300]	[30.00]%
1240	1488	3500	4200	15000	18000	20.00%	[100]%	$	[1200]	[20.00]%
1240	1364	3500	3850	15000	16500	10.00%	[100]%	$	[1100]	[10.00]%
1240	1240	3500	3500	15000	15000	0.00%	[100]%	$	[1000]	[0.00]%
1240	1116	3500	3150	15000	13500	-10.00%	[100]%	$	[1000]	[0.00]%
1240	992	3500	2800	15000	12000	-20.00%	[100]%	$	[1000]	[0.00]%
1240	868	3500	2450	15000	10500	-30.00%	[100]%	$	[1000]	[0.00]%
1240	744	3500	2100	15000	9000	-40.00%	[100]%	$	[1000]	[0.00]%
1240	620	3500	1750	15000	7500	-50.00%	[100]%	$	[1000]	[0.00]%
1240	496	3500	1400	15000	6000	-60.00%	[100]%	$	[1000]	[0.00]%
1240	372	3500	1050	15000	4500	-70.00%	[100]%	$	[1000]	[0.00]%
1240	248	3500	700	15000	3000	-80.00%	[100]%	$	[1000]	[0.00]%

Example 1: The Basket Return is greater than zero.

In this example, the levels of all three Components are higher on the Calculation Date. On the Calculation Date, the Final Component Level for SPX is 1,488.00, representing a 20.00% gain from the Initial Component Level, the Final Component Level for SX5E is 4,550.00, representing a 30.00% gain from the Initial Component Level, and the Final Component Level for NKY is 16,500.00, representing a 10.00% gain from the Initial Component Level. In this example, using the formula below, the Basket Return is greater than zero.

Basket Return

The Cash Settlement Value, using the formula below, will equal $1,200.

Cash Settlement

Value

Example 2: The Basket Return is equal to zero.

In this example, the levels of all three Components on the Calculation Date generally offset one another. On the Calculation Date, the Final Component Level for SPX is 1,364.00, representing a 10.00% gain from the Initial Component Level, the Final Component Level for SX5E is 3,500.00, representing a 0% change from the Initial Component Level, and the Final Component Level for NKY is 13,500.00, representing a 10.00% loss from the Initial Component Level. In this example, using the formula below, the Basket Return is zero. When the Basket Return is equal to zero, the Cash Settlement Value will equal $1,000.

Basket Return

Cash Settlement Value = $1000.

Example 3: The Basket Return is less than zero.

In this example, the levels of all three Components are all lower on the Calculation Date. On the Calculation Date, the Final Component Level for SPX is 992.00, representing a 20.00% loss from the Initial Component Level, the Final Component Level for SX5E is 2,450.00, representing a 30% loss from the Initial Component Level, and the Final Component Level for NKY is 9,000.00, representing a 40.00% loss from the Initial Component Level. In this example, using the formula below, the Basket Return is less than zero. When the Basket Return is less than zero, the Cash Settlement Value will equal $1,000.

Basket Return

Cash Settlement Value = $1000.

Summary of Examples 1-3 Reflecting the Cash Settlement Value

	Example 1	Example 2	Example 3
Hypothetical Initial Component Level for SPX	1,450.00	1,450.00	1450.00
Hypothetical Final Component Level for SPX	1,488.00	1,364.00	992.00
Hypothetical Initial Component Level for SX5E	3,500.00	3,500.00	3,500.00
Hypothetical Final Component Level for SX5E	4,550.00	3,500.00	2,450.00
Hypothetical Initial Component Level for NKY	15,000.00	15,000.00	15,000.00
Hypothetical Final Component Level for NKY	16,500.00	13,500.00	9,000.00
Basket Return	Positive	Zero	Negative
Principal protected?	Yes	Yes	Yes
Cash Settlement Value per Note	$ 1,200.00	$ 1,000.00	$ 1,000.00

Discontinuance of one or more component Indices

If a Sponsor discontinues publication of any Component and such Sponsor or another entity publishes a successor or substitute Component that the Calculation Agent determines, in its sole discretion, to be comparable to the discontinued Component (the new Component being referred to as a Successor Component), then the Calculation Agent will determine the Cash Settlement Value by reference to the Successor Component.

Upon any selection by the Calculation Agent of a Successor Component, the Calculation Agent will notify us and the Trustee, who will provide notice of the selection of the Successor Component to the registered holders of the Notes.

If any Sponsor discontinues publication of its Component prior to, and such discontinuance is continuing on, the Calculation Date and the Calculation Agent determines that no Successor Component is available at such time, then, on such date, the Calculation Agent will notify us and the Trustee, and will calculate the appropriate closing levels. The closing level will be computed by the Calculation Agent in accordance with the formula for and method of calculating the Component last in effect prior to such discontinuance, using the closing level (or, if trading in the relevant securities has been materially suspended or materially limited, its good faith estimate of the closing level that would have prevailed but for such suspension or limitation) at the close of the principal trading session on such date of each security most recently comprising the Component on the primary organized exchange or trading system on which such securities trade. Closing level means, with respect to any security on any date, the last reported sales price regular way on such date or, if no such reported sale takes place on such date, the average of the reported closing bid and asked price regular way on such date, in either case on the primary organized exchange or trading system on which such security is then listed or admitted to trading.

If a Successor Component is selected, or the Calculation Agent calculates a value as a substitute for the Component as described above, that Successor Component or its substitute value will be used as a substitute for the Component 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 one or more Components 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.

Adjustments to the Components

If at any time the method of calculating a Component or a Successor Component is changed in a material respect, or if a Component or a Successor Component is in any other way modified so that such Component or Successor Component does not, in the opinion of the Calculation Agent, fairly represent the level of the Component or Successor Component had such changes or modifications not been made, then, from and after such time, the Calculation Agent will make such calculations and adjustments as, in its good faith judgment, may be necessary to arrive at a level of a security index comparable to the Component or Successor Component, as the case may be, as if such changes or modifications had not been made. The Calculation Agent will calculate the Cash Settlement Value with reference to the Component or such Successor Component, as adjusted. If the method of calculating a Component or Successor Component is modified so that the level of such Component is a fraction of what it would have been if it had not been modified (for example, due to a split in the Component), then the Calculation Agent will adjust such Component in order to arrive at a level of the Component or such Successor Component as if it had not been modified (for example, as if such split had not occurred).

Market Disruption Events

If there is a Market Disruption Event on a Calculation Date, the Calculation Date will be determined on the basis of the first succeeding Component Business Day on which there is no Market Disruption Event. In no event, however, will the Calculation Date be a date that is postponed by more than two Component Business Days following the original date that, but for the Market Disruption Event, would have been the Calculation Date. In that case, the second Component Business Day will be deemed to be the Calculation Date, notwithstanding the Market Disruption Event, and the Calculation Agent will determine the level of the Basket on that second Component Business Day in accordance with the formula for and method of calculating the applicable underlying Component in effect prior to the Market Disruption Event using the closing level of each security in the Component as described above (or, if trading in any such security has been materially suspended or materially limited, the Calculation Agent s good faith estimate of the closing level that would have prevailed but for such suspension or limitation) as of that second Component Business Day.

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

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 one or more Relevant Exchanges in an aggregate total of 20% or more of the stocks which then comprise any Component, or any Successor Component (without taking into account any extended or after-hours trading session);

a breakdown or failure in the price and trade reporting systems of one or more Relevant Exchanges as a result of which the reported trading prices for stocks then constituting 20% or more of the level of the applicable Component, or any Successor Component, during the last one hour preceding the close of the principal trading session on such Relevant Exchanges 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 (but not by reason of system breakdowns or similar circumstances unique to such exchange), in option or futures contracts or exchange traded funds related to any Component, or any Successor Component; or

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 (but not by reason of system breakdowns or similar circumstances unique to such exchange), on any major exchange in options contracts relating to the stocks which then comprise 20% or more of the value of any Component.

For purposes of the above definition:

a limitation on the hours in a trading day and/or number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the Relevant Exchange.

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 be conclusive for all purposes and binding on the Company and the beneficial owners of the Notes, absent manifest error and provided the Calculation Agent shall be required to act in good faith in making any determination. 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 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.

DESCRIPTION OF THE BASKET

General

Unless otherwise stated, all information regarding the Components in this pricing supplement is derived from the Sponsors or other publicly available sources. Such information reflects the policies of the Sponsor as stated in such sources, and such policies are subject to change by the Sponsors. The Sponsors are under no obligation to continue to publish information regarding the Components and may discontinue publication of the Components at any time. Additional information is available about the Components on the websites provided below. We are not incorporating by reference the website or any material it includes in this pricing supplement.

The S&P 500® Index (SPX)

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The S&P 500® Index (SPX) is published by S&P and is intended to track the price movements of the common stocks comprising the SPX. The calculation of the value of the SPX (discussed below in further detail) is based on the relative value of the aggregate market value (as defined below) of the common stocks of 500 companies as of a particular time, compared to the aggregate average market value of the common stocks of 500 similar companies during the Base Period of the years 1941 through 1943.

S&P 500® Index Composition

S&P chooses common stocks for inclusion in the SPX with the aim of achieving a distribution by broad industry groupings that approximates the distribution of these groupings in the common stock population of the NYSE, which S&P uses as an assumed model for the composition of the total market. Relevant criteria employed by S&P include: the viability of the company issuing the particular common stock, the extent to which that company represents the industry group to which it is assigned, the extent to which the market price of that company s common stock is generally responsive to changes in the affairs of the relevant industry, and the market value and trading activity of the common stock of that company. For more information concerning the composition of the SPX see S&P s website at http://www.spglobal.com. Information contained in S&P s website is not incorporated by reference in, and should not be considered as part of, this Pricing Supplement.

As of June 30, 2006, the common stocks of 424 companies or 86.0% of the market capitalization of the SPX were traded on the NYSE; the common stocks of 76 companies or 14.0% of the market capitalization of the SPX were traded on the Nasdaq. None of the common stocks included in the SPX were traded on the AMEX. The stocks of ten main groups of companies comprise the SPX, with the approximate percentage of the market capitalization of the SPX included in each group as of June 30, 2006 indicated in parentheses: Consumer Discretionary (10.2%); Consumer Staples (9.6%); Energy (10.2%); Financials (21.4%); Health Care (12.3%); Industrials (11.7%); Information Technology (14.9%); Materials (3.1%); Telecommunication Services (3.3%); and Utilities (3.4%). The Sponsor may from time to time, in its sole discretion, add common stocks to, or delete common stocks from, the SPX to achieve the objectives stated above.

THE SPX DOES NOT REFLECT THE PAYMENT OF DIVIDENDS ON THE STOCKS UNDERLYING IT AND THEREFORE THE SPX PRICE RETURN AMOUNT ON THE NOTES WILL NOT PRODUCE THE SAME RETURN YOU WOULD HAVE RECEIVED HAD YOU PURCHASED SUCH UNDERLYING STOCKS AND HELD THEM UNTIL THE MATURITY DATE OF THE NOTES.

Computation of the SPX until March 17, 2005

While the S&P employed the following methodology to calculate the SPX, the S&P announced changes in the methodology which took effect on March 18, 2005 and certain additional charges took effect on September 16, 2005. See the section Computation of the SPX after September 16, 2005.

Prior to March 18, 2005, the S&P computed the SPX as of a particular time, as follows:

(a) the product of the market price per share and the number of then outstanding shares of each component stock was determined as of such time (such product referred to as the Market Value of such stock);

(b) the Market Value of all component stocks as of such time (as determined under clause (a) above) were aggregated;

(c) the mean average of the Market Values as of each week in the Base Period of the years 1941 through 1943 of the common stock of each company in a group of 500 substantially similar companies was determined;

(d) the mean average Market Values of all such common stocks over such Base Period (as determined under clause (c) above) were aggregated (such aggregate amount being referred to as the base value);

(e) the aggregate Market Value of all component stocks as of such time (as determined under clause (b) above) was divided by the Base Value; and

(f) the resulting quotient (expressed in decimals) was multiplied by ten.

The Sponsor adjusted the foregoing formula to negate the effects of changes in the Market Value of a component stock that were determined by the S&P to be arbitrary, or not due to true market fluctuations. Such changes may have resulted from such causes as the issuance of stock dividends, the granting to shareholders of rights to purchase additional shares of such stock, the purchase of shares by employees pursuant to employee benefit plans, certain consolidations and acquisitions, the granting to shareholders of rights to purchase other securities of the company, the substitution by the S&P of particular component stocks in the SPX, and other reasons. In all such cases, the S&P first recalculated the aggregate Market Value of all component stocks (after taking account of the new market price per share of the particular component stock, or the new number of outstanding shares thereof, or both, as the case may be) and then determined the new base value in accordance with the following formula:

The result was that the Base Value was adjusted in proportion to any change in the aggregate Market Value of all component stocks resulting from the causes referred to above, to the extent necessary to negate the effects of such causes upon the SPX.

Computation of the SPX after September 16, 2005

Since March 18, 2005, the S&P has partially adjusted the SPX from a market capitalization weighted formula to a float-adjusted formula, and on September 16, 2005 the SPX was fully float adjusted. The Sponsor s criteria for selecting stocks for the SPX has not changed by the shift to float adjustment. However, the adjustment affected each company s weight in the SPX (i.e., its Market Value). Under float adjustment, the share counts used in calculating the SPX will reflect only those shares that are available to investors, not all of a company s outstanding shares. The Sponsor defines three groups of shareholders whose holdings are subject to float adjustment:

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

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

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

However, treasury stock, stock options, restricted shares, equity participation units, warrants, preferred stock, convertible stock, and rights are not part of the float. In cases where holdings in a group exceed 10% of the outstanding shares of a company, the holdings of that group will be excluded from the float-adjusted count of shares to be used in the SPX calculation.

Mutual funds, investment advisory firms, pension funds, or foundations not associated with the company and investment funds in insurance companies, shares of a United States company traded in Canada as exchangeable shares, shares that trust beneficiaries may buy or sell without difficulty or significant additional expense beyond typical brokerage fees, and, if a company has multiple classes of stock outstanding, shares in an unlisted or non-traded class if such shares are convertible by shareholders without undue delay and cost, are also part of the float.

For each stock, an investable weight factor (IWF) was calculated by dividing the available float shares, defined as the total shares outstanding less shares held in one or more of the three groups listed above where the group holdings exceed 10% of the outstanding shares, by the total shares outstanding. On March 18, 2005, the SPX moved half way to float adjustment, meaning that if a stock had an IWF of 0.80, the IWF used to calculate the SPX between March 18, 2005 and September 16, 2005 was 0.90. The float-adjusted Index is now calculated by dividing the sum of the IWF multiplied by both the price and the total shares outstanding for each stock by the index divisor. For companies with multiple classes of stock, the S&P calculates the weighted average IWF for each stock using the proportion of the total company market capitalization of each share class as weights.

The SPX is calculated using a base-weighted aggregate methodology: the level of the SPX reflects the total Market Value of all 500 component stocks relative to the SPX s Base Period of 1941-43 (the Base Period). An indexed number is used to represent the results of this calculation in order to make the value easier to work with and track over time. The actual total Market Value of the component stocks during the Base Period has been set equal to an indexed value of 10. This is often indicated by the notation 1941-43=10. In practice, the daily calculation of the SPX is computed by dividing the total Market Value of the component stocks by a number called the index divisor. By itself, the index divisor is an arbitrary number. However, in the context of the calculation of the SPX, it is the only link to the original Base Period level of the SPX. The index divisor keeps the SPX comparable over time and is the manipulation point for all adjustments to the SPX (Index Maintenance).

Index Maintenance includes monitoring and completing the adjustments for company additions and deletions, share changes, stock splits, stock dividends, and stock price adjustments due to company restructurings or spinoffs. To prevent the level of the SPX from changing due to corporate actions, all corporate actions which affect the total Market Value of the SPX require an index divisor adjustment. By adjusting the index divisor for the change in total Market Value, the level of the SPX remains constant. This helps maintain the level of the SPX as an accurate barometer of stock market performance and ensures that the movement of the SPX does not reflect the corporate actions of individual companies in the SPX. All index divisor adjustments are made after the close of trading and after the calculation of the SPX Closing Level. Some corporate actions, such as stock splits and stock dividends, require simple changes in the common shares outstanding and the stock prices of the companies in the SPX and do not require index divisor adjustments.

The table below summarizes the types of Index Maintenance adjustments and indicates whether or not an index divisor adjustment is required.

Type of Corporate Action Adjustment Factor
Divisor Adjustment Required

Type of Corporate Action	Adjustment Factor	Divisor Adjustment Required
Stock split (e.g., 2-for-1)	Shares outstanding multiplied by 2; stock price divided by 2	No
Share issuance (i.e., change =5%)	Shares outstanding plus newly issued shares	Yes
Share repurchase (i.e., change =5%)	Shares outstanding minus repurchased shares	Yes
Special cash dividends	Share price minus special dividend	Yes
Company change	Add new company Market Value minus old company Market Value	Yes
Rights offering		Yes

Type of Corporate Action		Adjustment Factor		Divisor Adjustment Required
Spinoffs				Yes

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

Each of the corporate events exemplified in the table requiring an adjustment to the index divisor has the effect of altering the Market Value of the component stock and consequently of altering the aggregate Market Value of the component stocks (the Post-Event Aggregate Market Value). In order that the level of the index (the Pre-Event Index Value) not be affected by the altered Market Value (whether increase or decrease) of the affected component stock, a new index divisor (New Divisor) is derived as follows:

A large part of the SPX Maintenance process involves tracking the changes in the number of shares outstanding of each of the SPX companies. Four times a year, on a Friday close to the end of each calendar quarter, the share totals of companies in the SPX are updated as required by any changes in the number of shares outstanding. After the totals are updated, the index divisor is adjusted to compensate for the net change in the total Market Value of the SPX. In addition, any changes over 5% in the current common shares outstanding for the SPX companies are carefully reviewed on a weekly basis, and when appropriate, an immediate adjustment is made to the index divisor.

The Dow Jones EURO STOXX 50® Index

The EURO STOXX 50® Index was created by STOXX Limited, a joint venture between Deutsche Börse AG, Dow Jones & Company and the SWX Group. Publication of the EURO STOXX 50® Index began on February 28, 1998, based on an initial EURO STOXX 50® Index value of 1,000 at December 31, 1991. The EURO STOXX 50® Index is reported daily in the financial pages of many major newspapers, on Bloomberg Page SX5E <Index> <Go> and on the STOXX Limited website: *http://www.stoxx.com*. Information contained in the STOXX Limited website is not incorporated by reference in, and should not be considered a part of, this Pricing Supplement.

***Composition of the EURO STOXX 50*® Index**

The EURO STOXX 50® Index is composed of 50 component stocks of market sector leaders from within the Dow Jones EURO STOXX® Index, which includes stocks selected from the Eurozone. According to the Sponsor, the component stocks have a high degree of liquidity and represent the largest companies across all market sectors defined by the Dow Jones Global Classification Standard. The composition of the EURO STOXX 50® Index is reviewed annually in September, based on the closing stock data on the last trading day in August. The component stocks are announced the first trading day in September. Changes to the component stocks are implemented on the third Friday in September and are effective the following trading day. Changes in the composition of the EURO STOXX 50® Index are made to ensure that the EURO STOXX 50® Index includes the 50 market sector leaders from within the Dow Jones EURO STOXX® Index.

Computation of the EURO STOXX 50® Index

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

Each component s weight is capped at 10% of the EURO STOXX 50® Index s total free-float market capitalization. Weights are reviewed quarterly. Within each of the EURO STOXX 50® Index market sector indices, the component stocks are ranked by free-float market capitalization. The largest stocks are added to the selection list until the coverage is close to, but still less than, 60% of the free-float market capitalization of the corresponding EURO STOXX 50® Index market sector index. If the next-ranked stock brings the coverage closer to 60% in absolute terms, then it is also added to the selection list. Any remaining stocks that are current EURO STOXX 50® Index components are added to the selection list. The stocks on the selection list are ranked by free-float market capitalization. In exceptional cases, the STOXX Limited Supervisory Board may make additions and deletions to the selection list.

The 40 largest stocks on the selection list are chosen as components. Any remaining current components of the EURO STOXX 50® Index ranked between 41 and 60 are added as index components. If the component number is still below 50, then the largest stocks on the selection list are added until the index contains 50 stocks.

The divisor of the aforementioned formula is adjusted to maintain the continuity of the EURO STOXX 50® Index value across changes due to corporate actions such as the issuance of dividends, the occurrence of stock splits, stock repurchase by the issuer and other reasons.

The Nikkei 225SM Index

The Nikkei 225^{SM} Index (the NKY) is a stock index calculated, published and disseminated by Nihon Keizai Shimbun, Inc. (NKS) that measures the composite price performance of selected Japanese stocks. NKS first calculated and published the NKY in 1970. The NKY currently is based on 225 underlying stocks (the Nikkei Underlying Stocks) trading on the Tokyo Stock Exchange (the TSE) representing a broad cross-section of Japanese industries. All 225 Nikkei Underlying Stocks are stocks listed in the First Section of the TSE. Stocks listed in the First Section of the TSE are among the most actively traded stocks on the TSE. NKS rules require that the 75 most liquid issues (one-third of the component count of the NKY) be included in the NKY.

Composition of the Nikkei^{SM} Index

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

Technology Pharmaceuticals, Electrical Machinery, Automobiles, Precision Machinery, Telecommunications;

Financials Banks, Miscellaneous Finance, Securities, Insurance;

Consumer Goods Marine Products, Food, Retail, Services;

Materials Mining, Textiles, Paper and Pulp, Chemicals, Oil, Rubber, Ceramics, Steel, Nonferrous Metals, Trading House;

Capital Goods/Others Construction, Machinery, Shipbuilding, Transportation Equipment, Miscellaneous Manufacturing, Real Estate; and

Transportation and Utilities Railroads and Buses, Trucking, Shipping, Airlines, Warehousing, Electric Power, Gas.

Computation of the Nikkei^{SM} Index

The NKY is a modified, price-weighted index (i.e., a Nikkei Underlying Stock s weight in the index is based on its price per share rather than the total market capitalization of the issuer) that is calculated by (i) multiplying the per-share price of each Nikkei Underlying Stock by the corresponding weighting factor for such Nikkei Underlying Stock (a Weight Factor), (ii) calculating the sum of all these products and (iii) dividing such sum by a divisor (the Divisor). The Divisor was initially set at 225 for the date of May 16, 1949 using historical numbers from May 16, 1949, the date on which the TSE was reopened. The Divisor was 24.29 as of June 29, 2006 and is subject to periodic adjustments as set forth below. Each Weight Factor is computed by dividing ¥50 by the par value of the relevant Nikkei Underlying Stock, so that the share price of each Nikkei Underlying Stock, when multiplied by its Weight Factor, corresponds to a share price based on a uniform par value of ¥50. The stock prices used in the calculation of the NKY are those reported by a primary market for the Nikkei Underlying Stocks (currently the TSE). The level of the NKY is calculated once per minute during TSE trading hours.

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

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

A list of the issuers of the Nikkei Underlying Stocks constituting the NKY is available from the Nikkei Economic Electronic Databank System and from the Stock Market Indices Data Book published by NKS.

S&P 500® Index

The following table sets forth the highest and lowest closing levels during each of the relevant quarters, as well as the end-of-quarter closing levels, of the S&P 500® Index for each quarter beginning with April 1, 2001.

	High	Low	Period End
2001			
Second Quarter	1,315.93	1,091.99	1,224.42
Third Quarter	1,239.78	944.75	1,040.94
Fourth Quarter	1,173.62	1,026.76	1,148.08
2002			
First Quarter	1,176.97	1,074.36	1,147.39
Second Quarter	1,147.84	952.92	989.82
Third Quarter	994.46	775.68	815.28
Fourth Quarter	954.28	768.63	879.82

	High	Low	Period End
2003			
First Quarter	935.05	788.90	848.18
Second Quarter	1,015.33	847.85	974.50
Third Quarter	1,040.29	960.84	995.97
Fourth Quarter	1,112.56	995.97	1,111.92
2004			
First Quarter	1163.23	1,087.06	1,126.21
Second Quarter	1,150.57	1,076.32	1,140.84
Third Quarter	1,140.84	1,060.72	1,114.58
Fourth Quarter	1,217.33	1,090.19	1,211.92
2005			
First Quarter	1,229.11		