BEAR STEARNS COMPANIES INC
Form 424B5
January 10, 2007

This preliminary pricing supplement relates to an effective registration statement under the Securities Act of 1933, but is not complete and may be changed. We may not sell these securities until we deliver a final pricing supplement. 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.

Filed pursuant to Rule 424(b)(5)
Registration No. 333-136666
Subject to Completion, dated January 10, 2007
PRICING SUPPLEMENT
(To Prospectus dated August 16, 2006 and
Prospectus Supplement dated August 16, 2006)

The Bear Stearns Companies Inc.

3 Year Medium-Term Notes, Linked to the Outperformance of the ISE SINdex® Index Relative to the Standard and Poor's S&P 500®

Due January [l], 2010

- The Notes are linked to the outperformance of the ISE SINdex® Index (the "SINdex") relative to the return of the S&P 500® Index (the "S&P500", and along with the SINdex, each an "Index" and collectively the "Indices") during the term of the Notes. When we refer to Notes in this pricing supplement, we mean Notes with a principal amount of $1,000. On the Maturity Date, you will receive the Cash Settlement Value, an amount in cash that depends upon the performance of the Index Return of the SINdex relative to the Index Return of the S&P500.

- The Cash Settlement Value will be calculated as follows:

(i) If, at maturity, the Relative Return is equal to or greater than 0%, then, on the Maturity Date, you will receive an amount per $1,000 Note equal to the sum of: (i) $1,000, plus (ii) $1,000 multiplied by [150]% of the Relative Return.

(ii) If, at maturity, the Relative Return is negative, then, on the Maturity Date, you will receive an amount per $1,000 Note equal to the difference of: (i) $1,000, minus (ii) $1,000 times the absolute value of the Relative Return. In any event, the Cash Settlement Value is subject to a minimum of zero. In any event, the Cash Settlement Value is subject to a minimum of zero. ***If the Relative Return is negative at maturity, investors may lose up to 100% of the principal amount of their Notes.***

- With respect to each Index, the "Index Return" of such Index is the amount, expressed as a percentage, resulting from the quotient of: (i) the Final Index Level of such Index divided by (ii) its Initial Index Level.

- The "Relative Return" is an amount, expressed as a percentage, resulting from the difference of: (i) the Index Return of the SINdex minus (ii) the Index Return of the S&P500.

- The Notes are not principal protected and we will not pay interest during the term of the Notes.

- The Upside Participation Rate is equal to [150]%.

· The CUSIP number for the Notes is 073928T29. The Notes will not be listed on any securities exchange or quotation system.

· The Maturity Date for the Notes is January [l], 2010.

· The scheduled Calculation Date for the Notes is January [l], 2010. The Calculation Date is subject to adjustment as described herein.

INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS INCLUDING THE RISK THAT YOU MAY LOSE ALL OR SUBSTANTIALLY ALL OF YOUR INVESTMENT IN THE NOTES. THERE MAY NOT BE A SECONDARY MARKET IN THE NOTES, AND IF THERE WERE TO BE A SECONDARY MARKET, IT MAY NOT BE LIQUID. YOU SHOULD REFER TO "RISK FACTORS" BEGINNING ON PAGE PS-11.

"Standard & Poor's®," "S&P®" and "S&P 500®" Index are trademarks of Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") and have been licensed for use for certain purposes by The Bear Stearns Companies Inc. The Notes are not sponsored, endorsed, sold or promoted by S&P, and S&P makes no representation regarding the advisability of investing in the Notes. "International Securities Exchange®" and "SINdex®" are trademarks of the International Securities Exchange, Inc ("ISE" or along with S&P, each a "Sponsor") and have been licensed for use for certain purposes by The Bear Stearns Companies Inc. The Notes are not sponsored, endorsed, sold or promoted by ISE, and ISE makes no representation regarding the advisability of investing in the Notes.

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

	Per Note	Total
Initial public offering price[1]	[l]%[2]	$[l]
Agent's commission	[l]%	$[l]
Proceeds, before expenses, to us	[l]%	$[l]

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

[2] 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 the performance of the SINdex relative to the S&P500 at the time of the relevant sale.

We may grant Bear Stearns a 30-day option from the date of this pricing supplement to purchase from us up to an additional $[l] 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 January [l], 2007, against payment in immediately available funds. The distribution of the Notes will conform to the requirements set forth in Rule 2720 of the National Association of Securities Dealers, Inc. Conduct Rules.

Bear, Stearns & Co. Inc.

January [l], 2007

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 Indices. 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. In addition, "Bear Stearns" refers to our agent, Bear, Stearns and Co. Inc.

The Bear Stearns Companies Inc. Medium-Term Notes, Series B due January [**l**], 2010 (the "Notes"), are Notes with a return tied or "linked" to the outperformance of the Index Return of the SINdex relative to the Index Return of the S&P500 over the term of the Notes. When we refer to Note or Notes in this pricing supplement, we mean $1,000 principal amount of Notes. On the Maturity Date, you will receive the Cash Settlement Value, an amount in cash that depends upon the Relative Return. The "Relative Return" is the amount, expressed as a percentage, resulting from the difference of: (i) the Index Return of the SINdex minus (ii) the Index Return of the S&P500. With respect to each Index, the "Index Return" of such Index is the amount, expressed as a percentage, resulting from the quotient of: (i) the Final Index Level of such Index divided by (ii) its Initial Index Level. If, at maturity, the Relative Return is equal to or greater than 0%, then, on the Maturity Date, you will receive an amount per $1,000 Note equal to the sum of: (i) $1,000, plus (ii) $1,000 multiplied by [150]% of the Relative Return. If, at maturity, the Relative Return is negative, then, on the Maturity Date, you will receive an amount per $1,000 Note equal to the difference of: (i) $1,000, minus (ii) $1,000 times the absolute value of the Relative Return. In any event, the Cash Settlement Value is subject to a minimum of zero. In any event, the Cash Settlement Value is subject to a minimum of zero. ***If the Relative Return is negative at maturity, investors may lose up to 100% of the principal amount of their Notes.*** We will not pay interest during the term of the Notes.

Selected Risk Considerations

· Possible loss of principal—***Your investment in the Notes is not principal protected and you may lose up to 100% of your initial investment***. If you sell your Notes prior to maturity you may receive less than the amount you originally invested. In addition, if the S&P 500 outperforms the SINdex, you will receive less than the amount you originally invested.

· No interest, dividend or other payments—You will not receive any interest, dividend payments or other distributions on the stocks underlying the Indices, nor will such payments be included in the calculation of the Cash Settlement Value you will receive at maturity.

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

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

· Yield—The yield on the Notes may be less than the overall return you would earn if you purchased a conventional debt security at the same time and with the same maturity.

· Return related to the relative return of the Indices—If the Index Return of the SINdex is less than the Index Return of the S&P500, you will suffer a loss (i.e. you will receive less than the amount you originally invested), even if the Index Return of the SINdex is positive.

Selected Investment Considerations

· Relative performance—The Notes will offer a positive return so long as the Index Return of the SINdex is greater than the Index Return of the S&P500 on a relative basis. Even if both Indices have declined in value at maturity, if the Index Return of the SINdex has declined by less than the Index Return of the S&P500 (on a percentage basis), the Notes will pay a positive return at maturity equal to [150]% of the difference.

· No current income—We will not pay interest during the term of the Notes.

· Growth potential—The Notes offer the possibility to participate in the potential outperformance of the Index Return of the SINdex relative to the Index Return of the S&P500. The Cash Settlement Value is based upon whether the Index Return of the SINdex is greater than the Index Return of the S&P500. In addition, because of the Upside Participation Rate, in the event that there is outperformance of the SINdex relative to the S&P500, investors will receive a [1.5]% return for every 1.0% increase in the Relative Return.

· Medium-term investment—The Notes may be an attractive investment for investors who have a bullish view of the relative performance of the SINdex compared to the S&P500 during the term of the Notes.

· Diversification—Because the SINdex is currently based on the equity prices of 20 constituent companies and the S&P500 is currently based on the equity prices of 500 constituent companies, the Notes may allow you to diversify an existing portfolio.

· Tax Considerations—We intend to treat each Note as a pre-paid cash-settled executory contract.

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

KEY TERMS

Issuer: The Bear Stearns Companies Inc.

Indices: Standard & Poor's S&P 500® Index (ticker "SPX"), as published by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's"), and ISE SINdex® Index (ticker "SIN"), as published by the International Securities Exchange Inc., ("ISE").

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

Cash Settlement Value: If, at maturity, the Relative Return is equal to or greater than 0%, then, on the Maturity Date, you will receive an amount per $1,000 Note equal to the sum of: (i) $1,000, plus (ii) $1,000 multiplied by [150]% of the Relative Return.

If, at maturity, the Relative Return is negative, then, on the Maturity Date, you will receive an amount per $1,000 Note equal to the difference of: (i) $1,000, minus (ii) $1,000 times the absolute value of the Relative Return. In any event, the Cash Settlement Value is subject to a minimum of zero. ***If the Relative Return is negative at maturity, investors may lose up to 100% of the principal amount of their Notes.***

Upside Participation Rate: [150]%

Relative Return: The amount, expressed as a percentage, resulting from the difference of: (i) the Index Return of the SINdex minus (ii) the Index Return of the S&P500.

Index Return: With respect to each Index, the amount, expressed as a percentage, resulting from the quotient of: (i) the Final Index Level of such Index divided by (ii) its Initial Index Level.

Interest: The Notes will not bear interest.

Index Level: As of any date of determination, and with respect to each Index, the closing value of such Index, as determined by the related Sponsor, on each Index Business Day.

Initial Index Level: Equals [**l**], with respect to the SINdex, and [**l**] with respect to the S&P500, representing the closing value of each Index, as determined by the related Sponsor, on January [**l**], 2007.

Final Index Level: Will be determined by the Calculation Agent and will equal the closing value of each Index, as determined by the related Sponsor, on the Calculation Date.

Calculation Date: January [**l**], 2010. The Calculation Date is subject to adjustment as described under "Description of the Notes - Market Disruption Events".

Maturity Date: The date [three] Business Days following the Calculation Date.

Exchange listing: The Notes will not be listed on any securities exchange or quotation system.

Index Business Day:	Means, with respect to an Index, any day on which the Primary Exchange and each Related Exchange are scheduled to be open for trading.
Business Day:	Any day other than a Saturday or Sunday, on which banking institutions in the cities of New York, New York and London, England are not authorized or obligated by law or executive order to be closed.
Related Exchange	With respect to an Index each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to the applicable Index.

Primary Exchange With respect to an Index the primary exchange or market of trading of any security then included in the Index.

Sponsors With respect to the S&P500, Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. With respect to the SINdex, the International Securities Exchange Inc.

Offers and sales of the Notes are subject to restrictions in certain jurisdictions. The distribution of this pricing supplement and the accompanying prospectus supplement and prospectus and the offer or sale of the Notes in certain other jurisdictions may be restricted by law. Persons who come into possession of this pricing supplement, and the accompanying prospectus supplement and prospectus or any Notes must inform themselves about and observe any applicable restrictions on the distribution of this pricing supplement, the accompanying prospectus supplement and prospectus and the offer and sale of the Notes. Notwithstanding the minimum denomination of $1,000, the minimum purchase for any purchaser domiciled in a Member State of the European 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 outperformance of the return of the SINdex relative to the return of the S&P500 during the term of the Notes. 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 January [**l**], 2010. The Notes do not provide for earlier redemption. When we refer to Notes in this pricing supplement, we mean Notes with a principal amount of $1,000. You should refer to the section "Description of Notes."

Are the Notes equity or debt securities?

The Notes are our unsecured debt securities. However, the Notes differ from traditional debt securities in that the Notes are not principal protected and offer the opportunity to participate in the outperformance of the SINdex relative to the S&P500, if any, during the term of the Notes. If, at maturity, the Relative Return is negative, you will suffer a loss and will receive less, and possibly up to 100% less, than the original public offering price of $1,000 per Note.

What will I receive at maturity of the Notes?

If, at maturity, the Relative Return is equal to or greater than 0%, then, on the Maturity Date, you will receive an amount per $1,000 Note equal to the sum of: (i) $1,000, plus (ii) $1,000 multiplied by [150]% of the Relative Return.

If, at maturity, the Relative Return is negative, on the Maturity Date, you will receive an amount equal to the original principal amount minus 1% of the original principal amount for each percentage point that the Relative Return is less than 0%. For example, if the Relative Return is -40%, you will suffer a 40% loss and, therefore, receive 60% of the original principal amount. In any event, the Cash Settlement Value is subject to a minimum of zero.

The "Relative Return" is an amount, expressed as a percentage, resulting from the difference of: (i) the Index Return of the SINdex minus (ii) the Index Return of the S&P500.

With respect to each Index, the "Index Return" of such Index is the amount, expressed as a percentage, resulting from the quotient of: (i) the Final Index Level of such Index divided by (ii) its Initial Index Level.

The Upside Participation Rate is equal to [150]%.

With respect to each Index, the "Index Level" of an Index equals the closing value of such Index, as determined by the related Sponsor, on each Index Business Day.

The “Initial Index Level” equals [l], with respect to the SINdex, and [l] with respect to the S&P500, representing the closing value of each Index, as determined by the related Sponsor, on January [l], 2007.

The "Final Index Level" will be determined by the Calculation Agent and will equal the closing value of each Index, as determined by the related Sponsor, on the Calculation Date.

The "Calculation Date" is January[l], 2010. The Calculation Date is subject to adjustment as described under "Description of the Notes - Market Disruption Events".

The "Maturity Date" of the Notes is the date [three] Business Days following the Calculation Date.

"Related Exchange" means with respect to an Index each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to the applicable Index.

"Primary Exchange" means with respect to an Index the primary exchange or market of trading of any security then included in the Index.

An "Index Business Day" means with respect to an Index any day on which the Primary Exchange and each Related Exchange are scheduled to be open for trading.

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

Are the Notes principal protected?

No. The Notes are not principal protected and 100% of your principal investment in the Notes is at risk of loss. The Notes are linked to the relative performance of the SINdex and the S&P500, and you will suffer a loss if the Index Return of the S&P500 is greater than the Index Return of the SINdex. In this case, the Cash Settlement Value you will receive will equal the original principal amount of your Notes, minus 1% of the original principal amount for each percentage point that the Index Return of the S&P500 is greater than the Index Return of the SINdex.

Will I receive interest on the Notes?

We will not make any periodic payments of interest or any other periodic payments during the term of the Notes.

What are the Indices?

Unless otherwise stated, all information with respect to the Indices that is provided in this pricing supplement is derived from the related Sponsor or other publicly available sources. The Indices are published by the Sponsors and are intended to track the price movements of the stocks comprising the Indices.

S&P publishes the S&P500. The S&P500 is a capitalization weighted index and is intended to provide an indication of the pattern of common stock price movement. The calculation of the level of the S&P500, discussed below in further detail, is based on the relative value of the aggregate market value 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.

The SINdex is calculated and maintained by S&P based on a methodology developed by ISE in consultation with S&P. ISE's indices are designed to track the performance of the most highly capitalized publicly traded companies in specific industry sectors. The SINdex is comprised of stocks issued by the owners and operators of casinos and gaming facilities, producers of beer and malt liquors, distillers, vintners and producers of other alcoholic beverages, and manufacturers of cigarettes and other tobacco products.

For more information, see the section “Description of the Indices.”

How has the Index performed historically?

We have provided a table showing the quarterly high and low intraday Index Levels, as well as end-of-quarter final Index Levels of each Index from January 2002 through December 2006. You can find these tables in the section “Description of the Indices - Historical Data on the Indices”. We have provided this historical information to help you evaluate the behavior of the Indices in various economic environments; however, past performance is not indicative of how the Indices will perform in the future. You should refer to the section “Risk Factors - The historical performance of the Indices is not an indication of the future performance of the Indices.”

Will the Notes be listed on a securities exchange or quotation system?

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

What is the role of Bear Stearns?

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

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

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

We are a holding company that, through our broker-dealer and international bank subsidiaries, principally Bear Stearns, Bear, Stearns Securities Corp., Bear, Stearns International Limited (“BSIL”) and Bear Stearns Bank plc, is a leading investment banking, securities and derivatives trading, clearance and brokerage firm serving corporations, governments, institutional and individual investors worldwide. For more information about us, please refer to the section “The Bear Stearns Companies Inc.” in the accompanying prospectus. You should also read the other documents we have filed with the Securities and Exchange Commission, 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 relative performance of the two underlying equity indices, they may be appropriate for investors with specific investment horizons who seek to participate in the potential price appreciation of the SINdex relative to the S&P500. In particular, the Notes may be an attractive investment for investors who:

- believe that the SINdex will outperform the S&P500 over the term of the Notes;
- want potential upside exposure to stocks underlying the SINdex relative to stocks underlying the S&P500;

- are willing to risk the possible loss of up to 100% of their investment in exchange for the opportunity to positively participate in the outperformance, if any, of the SINdex relative to the S&P500;
- are willing to forgo interest payments or dividend payments on the stocks underlying the Indices; and
- wish to gain leveraged exposure to the outperformance, if any, of the Index Return of the SINdex relative to the Index Return of the S&P500 during the term of the Notes.

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

- seek principal protection;
- seek current income or dividend payments from your investment;
- seek an investment with an active secondary market;
- are unable or unwilling to hold the Notes until maturity; or
- do not believe the SINdex will outperform the S&P500 over the term of the Notes.

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

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

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”), 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 or other plan subject to any materially similar law or any entity the assets of which are deemed to be “plan assets” under ERISA, Section 4975 of the Code and any applicable 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” herein.

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 Indices 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.

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

The Notes are not principal protected and 100% of your principal investment in the Notes is at risk of loss. If the Relative Return is less than 0%, you will lose some and possibly all of your original investment of $1,000 per Note. In this case, you will lose 1% of the original principal amount for each percentage point that the Relative Return is below 0%. Accordingly, you may lose up to 100% of your original investment in the Notes. In addition, if you sell your Notes prior to maturity, you may receive less than the amount you originally invested.

The formula for determining the Cash Settlement Value does not take into account changes in the Index Levels prior to the Calculation Date.

Changes in the Index Levels during the term of the Notes before the Calculation Date will not be reflected in the calculation of the Cash Settlement Value. The Calculation Agent will calculate the Cash Settlement Value based upon the Index Levels as of the Calculation Date. As a result, you may receive the amount of your investment in the Notes, or lose up to 100% of your original investment in the Notes, even if the Index Level of the SINdex has outperformed the Index Level of the S&P500 at various times during the term of the Note, if, on the Calculation Date, the Index Return of the SINdex is less than the Index Return of the S&P500.

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

You will not receive any periodic payments of interest or any other periodic payments on the Notes. On the Maturity Date, you will receive a payment per Note equal to the Cash Settlement Value. Thus, the overall return you earn on your Notes may be less than that you would have earned by investing in a non-indexed debt security of comparable maturity that bears interest at a prevailing market rate and is fully 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."

Your yield will not reflect dividends on the underlying stocks that comprise the Indices.

The Indices do not reflect the payment of dividends on the stocks underlying them. You should refer to the section "Description of the Notes."

You must rely on your own evaluation of the merits of an investment linked to an increase, if any, in the Indices.

In the ordinary course of our business, we may from time to time express views on expected movements in the Indices and in the stocks underlying the Indices. 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 Indices and the stocks that underlie the Indices and not rely on our views with respect to future movements in the Indices and the underlying stocks. You should make such investigation as you deem appropriate as to the merits of an investment linked to the outperformance, if any, of the SINdex relative to the S&P500.

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

We expect that the Index Levels will fluctuate in accordance with changes in the financial condition of the companies issuing the stocks comprising the Indices, the value of the underlying stocks comprising the Indices generally and other factors. The financial condition of the companies issuing the stocks comprising the Indices may weaken or the general condition of the equity market may decline, either of which may cause a decrease in the outperformance of the SINdex relative to the S&P500 and thus a decrease in the value of the Notes. Stocks are susceptible to general equity market fluctuations and to volatile increases and decreases in value, as market confidence in and perceptions regarding the underlying stocks comprising the Indices change. Investor perceptions regarding the companies issuing the stocks comprising the Indices 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 Index Levels may be expected to fluctuate until the Calculation Date and thus the performance of the SINdex relative the S&P500 may fluctuate until the Calculation Date.

The historical performance of the Indices is not an indication of the future performance of the Indices.

The historical performance of the Indices, which is included in this pricing supplement, should not be taken as an indication of the future performance of the Indices. While the trading prices of the underlying stocks comprising the Indices will determine the Index Levels, it is impossible to predict whether the Index Levels will fall or rise. Trading prices of the underlying stocks comprising the Indices 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 stocks are traded, and by various circumstances that can influence the values of the underlying stocks in a specific market segment or the value of a particular underlying stock.

The relative performance data is not an indication of the future performance of the Indices or the Notes.

The relative historical performance data set forth in the “Historical Relative Performance Data” section should not be taken as an indication of either the future performance of the Indices over the term of the Notes or of the Notes themselves. The Notes do not have a trading history. As a consequence, investors should understand that the historical relative performance data is based on the actual historical performance of the SINdex relative to the S&P500 and it is impossible to predict whether the Index Levels will fall or rise over the term of the Notes.

The SINdex is highly concentrated in a specific market segment.

The SINdex is subject to the downside risk of an investment in a specific market segment (owners and operators of casinos and gaming facilities, producers of beer and malt liquors, distillers, vintners and producers of other alcoholic beverages, and manufacturers of cigarettes and other tobacco products). This includes the risk that the value of assets underlying these industries may decline, and thereby adversely affect the market value of the Notes. The negative performance of a single security (or group of securities) may have a more significant adverse affect on the SINdex than a more diversified index, and the SINdex may be subject to greater price volatility than a more diversified index. Furthermore, the SINdex may be more susceptible to any single economic, political, or regulatory occurrence than an index with underlying securities that are broadly diversified across several industry groups.

You may lose some or all of your initial investment, even if the Index Return of the SINdex is positive.

You may lose some or all of your initial investment in the Notes, even if the Index Return of the SINdex is positive on the Calculation Date. The Cash Settlement Value is based on the outperformance of the SINdex relative to the S&P500. If the S&P500 exhibits greater positive performance than the SINdex, then you may receive a negative return on the Notes. For example, if the SINdex appreciates by 10% over the term of the Notes, and the S&P500 appreciates by 20% over the same period of time, then you will lose 10% of your initial investment in the Notes, even though the SINdex appreciated in value. Accordingly, if the Index Return of the SINdex is one hundred percent (100%) less than the Index Return of the S&P500, you will lose all of your original investment.

Because the treatment of the Notes is uncertain, the material U.S. federal income tax consequences of an investment in the Notes are uncertain.

Although we intend to treat the Notes for all tax purposes as pre-paid cash-settled executory contracts linked to the Indices, there is no direct legal authority as to the proper tax treatment of the Notes, and therefore significant aspects of the tax treatment of the Notes are uncertain. In particular, it is possible that you will be required to recognize income for U.S. federal tax purposes with respect to the Notes prior to the sale, exchange or maturity of the Notes, and it is possible that any gain or income recognized with respect to the Notes will be treated as ordinary income rather than capital gain. Prospective investors are urged to consult their tax advisors regarding the U.S. federal income tax consequences of an investment in the Notes. Please read carefully the section "Certain U.S. Federal Income Tax Considerations."

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 level and volatility of the Indices, the Index Return of the SINdex relative to the Index Return of the S&P500, 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 Index Return of the SINdex is less than the Index Return of the S&P500. 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.

· *Relative Index performance*. We expect that the value of the Notes prior to maturity will depend substantially upon the performance of the Index Return of the SINdex relative to the Index Return of the S&P500. If you decide to sell your Notes when the Index Return of the SINdex is greater than the Index Return of the S&P500, you may nonetheless receive substantially less than the amount that would be payable at maturity based on the relative Index Returns of the Indices because of expectations that the Index Returns will continue to fluctuate until the Cash Settlement Value is determined. Economic, financial, regulatory, geographic, judicial, political and other developments that affect the stocks underlying the Indices may also affect the Index Returns and, thus, the value of the Notes.

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

· *Interest rates*. We expect that the trading value of the Notes will be affected by changes in U.S. interest rates. In general, if U.S. interest rates increase, the value of the Notes may decrease, and if U.S. interest rates decrease, the value of the Notes may increase. However, interest rates may also affect the economy and, in turn, the Index Levels, which (for the reasons discussed above) would affect the value of the Notes. Falling interest rates may increase the Index Levels and, thus, reduce the value of the Notes. Rising interest rates may decrease the Index Levels and, thus, increase 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 Index Levels, an improvement in our credit ratings, financial condition or results of operations is not expected to have a positive effect on the trading value of the Notes.

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

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

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

· *Size and liquidity of the trading market*. The Notes will not be listed on any securities exchange and quotation system and we do not expect a trading market to develop. There may not be a secondary market in the Notes, which may affect the price that you receive for your Notes upon any sale prior to maturity. If a trading market does develop, there can be no assurance that there will be liquidity in the trading market. If the trading market for the Notes is limited, there may be a limited number of buyers for your Notes if you do not wish to hold your investment until maturity. This may affect the price you receive upon any sale of the Notes prior to maturity.

· *Hedging obligations under the Notes*. The original issue price of the Notes includes the cost of hedging our obligations under the Notes. Such cost includes BSIL’s (or any other of our subsidiaries’) expected cost of providing such hedge and the profit BSIL (or any other of our subsidiaries) expects to realize in consideration for assuming the risks inherent in providing such hedge. As a result, assuming no change in market conditions or any other relevant factors, the price, if any, at which Bear Stearns will be willing to purchase Notes from you in secondary market transactions, if at all, will likely be lower than the original issue price. In addition, any such prices may differ from values determined by pricing models used by Bear Stearns as a result of transaction costs.

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.

We want you to understand that the effect of one of the factors specified above, may offset some or all of any change in the value of the Notes attributable to another factor.

You have no shareholder rights or rights to receive any stock.

Investing in the Notes will not make you a holder of any of the stocks underlying the Indices. Neither you nor any other holder or owner of the Notes will have any voting rights, any right to receive dividends or other distributions or any other rights with respect to the underlying stocks. The Notes will be paid in cash, and you will have no right to receive delivery of any stocks underlying the Indices.

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 Final Index Levels, or deciding whether a Market Disruption Event has occurred. You should refer to “Description of the Notes - Discontinuance of the Indices,” “- Adjustments to the Indices” and “- Market Disruption Events.” Because Bear Stearns is our affiliate, conflicts of interest may arise in connection with Bear Stearns performing its role as Calculation Agent. Rules and regulations regarding broker-dealers (such as Bear Stearns) require Bear Stearns to maintain policies and procedures regarding the handling and use of confidential proprietary information, and such policies and procedures will be in effect throughout the term of the Notes. Bear Stearns is obligated to carry out its duties and functions as Calculation Agent in good faith, and using its reasonable judgment. See “Description of the Notes - Calculation Agent.”

Our affiliates, including Bear Stearns, may, at various times, engage in transactions involving the stocks underlying the Indices for their proprietary accounts, and for other accounts under their management. These transactions may influence the value of such stocks, and therefore the Index Levels or one of its subsidiaries 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 its obligations under our hedge.

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

The Sponsors are responsible for calculating and maintaining the Indices. The policies of the Sponsors concerning the calculation of the Indices will affect the Index Return and, therefore, will affect the trading value of the Notes and the Cash Settlement Value.

If a Sponsor discontinues or suspends calculation or publication of an Index, it may become difficult to determine the trading value of the Notes or the Cash Settlement Value. If the Sponsor discontinues or suspends calculation of an Index at any time prior to the Maturity Date and a Successor Index is not available or is not acceptable to the Calculation Agent, 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 will as closely as reasonably possible replicate such Index. In addition, if the method of calculating an Index (or a Successor Index) is changed in a material respect, or if an Index (or a Successor Index) is in any other way modified so that such Index (or Successor Index) does not, in the opinion of the Calculation Agent, fairly represent the level of such Index (or Successor Index) had such changes or modifications not been made, the Calculation Agent will make such calculations and adjustments as may be necessary to arrive at a level of a security index comparable to such Index (or Successor Index) 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 Indices."

A Sponsor may change the companies underlying the Indices in a way that affects the Index Levels and consequently the value of the Notes.

A Sponsor can add, delete or substitute the stocks underlying an Index or make other methodological changes that could alter the Index Levels and adversely affect the value of the Notes. You should realize that changes in the companies included in the Indices may affect the Indices, as a newly added company may perform significantly better or worse than the company or companies it replaces.

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

We are not affiliated with any of the other companies whose stock underlies the Indices. Actions by any company whose stock is part of the Indices may affect the price of its stock, the trading price of and the closing level of the Indices, and the trading value of the Notes. These companies are not involved in this offering and have no 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.

We are not responsible for any disclosure by any other company in the Indices. However, we may currently, or in the future, engage in business with such companies. 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 Indices or any other company included in the Indices. You should make your own investigation into the Indices and the companies underlying the Indices.

We and our affiliates have no affiliation with the Sponsors and are not responsible for its public disclosure of information.

We and our affiliates are not affiliated in any way with the Sponsors (except for the licensing arrangements discussed in the section "Description of the Indices—License Agreement with ISE" and "Description of the Indices—License Agreement with S&P") and have no ability to control or predict the Sponsors' actions, including any errors in or discontinuation of disclosure regarding their methods or policies relating to the calculation of the Indices. Neither we nor any or our affiliates assumes any responsibility for the adequacy or accuracy of the information about the Indices or the Sponsors contained in this pricing supplement. You, as an investor in the Notes, should make your own investigation into the Indices 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 action 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 Indices, the Index Levels, 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 Indices 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 Index Levels 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 Index Levels 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 Indices, or derivative or synthetic instruments related to those stocks or the Indices, 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 Indices. 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 Index Levels, we cannot assure you that these activities will not affect such level and the trading value of the Notes prior to maturity or the Cash Settlement Value payable at maturity.

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

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

We or one or more of our affiliates have published, and may in the future publish, research reports on the Indices or the companies issuing the common stock included in the Indices. This research may be modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the Notes. Any of these activities may affect the market price of stocks included in the Indices and, therefore, the value of the Notes.

We and our affiliates, at present or in the future, may engage in business with the companies issuing the common stock included in the Indices, 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.

Similarly, we may in the past or may in the future issue Notes that permit a purchaser to take a different view with respect to the movement of the Indices 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 Indices. By introducing competing products into the marketplace in this manner, we or our affiliates could adversely affect the value of the Notes.

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 Index Level 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. You should refer to the section "Description of the Notes—Event of Default and Acceleration."

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

DESCRIPTION OF THE NOTES

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

General

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

The aggregate principal amount of the Notes will be $[**l**]. The Notes will mature on January [**l**], 2010 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 Economic Area 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.

Interest

We will not make any periodic payments of interest on the Notes or any other periodic payments on the Notes. At maturity, you will receive the Cash Settlement Value, calculated as described below.

Payment at Maturity

On the Maturity Date, you will receive the Cash Settlement Value, an amount in cash that depends upon the outperformance of the Index Return of the SINdex relative to the Index Return of the S&P500.

If, at maturity, the Relative Return is equal to or greater than 0%, then, on the Maturity Date, you will receive an amount per $1,000 Note equal to the sum of: (i) $1,000, plus (ii) $1,000 multiplied by [150]% of the Relative Return.

If, at maturity, the Relative Return is negative, then, on the Maturity Date, you will receive an amount per $1,000 Note equal to the difference of: (i) $1,000, minus (ii) $1,000 times the absolute value of the Relative Return. In any event, the Cash Settlement Value is subject to a minimum of zero. ***If the Relative Return is negative at maturity, you may lose up to 100% of the principal amount of their Notes***.

With respect to each Index, the "Index Return" of such Index is the amount, expressed as a percentage, resulting from the quotient of: (i) the Final Index Level of such Index divided by (ii) its Initial Index Level.

The "Relative Return" is an amount, expressed as a percentage, resulting from the difference of: (i) the Index Return of the SINdex minus (ii) the Index Return of the S&P500.

The Upside Participation Rate is equal to [150]%.

The "Index Level" equals the closing value of such Index, as determined by the related Sponsor, on each Index Business Day.

The "Initial Index Level" equals [l], with respect to the SINdex, and [l] with respect to the S&P500, representing the closing value of each Index, as determined by the related Sponsor, on January [l], 2007.

The "Final Index Level" will be determined by the Calculation Agent and will equal the closing values of each Index, as determined by the related Sponsor, on the Calculation Date.

The "Calculation Date" is January [l], 2010. The Calculation Date is subject to adjustment as described under "Description of the Notes - Market Disruption Events".

The "Maturity Date" of the Notes the date [three] Business Days following the Calculation Date.

The Notes will not be listed on any securities exchange.

An "Index Business Day" means, with respect to an Index, any day on which the Primary Exchange and each Related Exchange are scheduled to be open for trading.

A "Business Day" means any day other than a Saturday or Sunday, on which banking institutions in the cities of New York, New York and London, England are not authorized or obligated by law or executive order to be closed.

Illustrative Examples

The examples set forth below and the related tables depict the hypothetical Cash Settlement Value of a Note based on the assumptions below. The hypothetical Index Levels in the examples and related table do not purport to be representative of every possible scenario concerning increases or decreases in the Index Levels of the SINdex or the S&P500. You should not construe these examples or the data included in the table as an indication or assurance of the expected performance of the Notes.

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

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

Investor holds the Notes to maturity.

The Initial Index Level with respect to the SINdex is equal to 100.00 and with respect to the S&P500 is equal to 1500.00.

The Upside Participation Rate is [150]%.

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

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

Example 1: The Relative Return is positive.

In this example, the SINdex greatly outperforms the S&P500 Index over the term of the Notes. On the Calculation Date, the Relative Return is 65%. In this example, using the formula below (applicable when the Relative Return is greater than or equal to 0%), the Cash Settlement Value will equal $1,975.00. This example shows how the Upside Participation Rate allows you to benefit from leverage in the event of a positive Relative Return.

In this example, although the Relative Return is 65%, your return on investment would be 97.5% because the Upside Participation rate allows you to benefit from leverage as a result of the positive Relative Return.

Example 2: The Relative Return is slightly above 0%.

In this example, the SINdex slightly outperforms the S&P500 Index over the term of the Notes. On the Calculation Date, the Relative Return is 2%. In this example, using the formula below (applicable when the Relative Return is greater than or equal to 0%), the Cash Settlement Value will equal $1,030.00. This example shows how although you may benefit in from a positive Relative Return, 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 fully principal protected.

In this example, although the Relative Return is 2%, your return on investment would be 3% because the Upside Participation Factor allows you to benefit from leverage as a result of a positive Relative Return. However, your return on investment 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 fully principal protected.

Example 3: The Relative Return is negative.

In this example, the SINdex underperforms the S&P500 Index over the term of the Notes. On the Calculation Date, the Relative Return is -42%. In this example, using the formula below (applicable when the Relative Return is negative), the Cash Settlement Value will equal $580.00, meaning that an investor would lose $420.00 of their original investment of $1,000 in the notes. This example shows how the Notes are not principal protected, and if the Relative Return is negative at maturity, you may lose up to 100% of the principal amount of your Notes.

Summary of Examples 1 Through 3
Reflecting the Cash Settlement Value

	Example 1	Example 2	Example 3
Hypothetical Initial Index Level of SINdex	100.00	100.00	100.00
Hypothetical Final Index Level of SINdex	165.00	104.00	98.00
Hypothetical Initial Index Level of S&P500	1500.00	1500.00	1500.00
Hypothetical Final Index Level of S&P500	1500.00	1530.00	2100.00
Value of Relative Return	Positive	Slightly Positive	Negative
Cash Settlement Value per Note	$ 1,975.00	$ 1,030.00	$ 580.00

Table of Hypothetical Cash Settlement Values

Relative Return	Cash Settlement Value Per Note	Return if Held to Maturity	Relative Return	Cash Settlement Value Per Note	Return if Held to Maturity
100%	$2,500	150.00%	-5%	$950	-5.00%
95%	$2,425	142.50%	-10%	$900	-10.00%
90%	$2,350	135.00%	-15%	$850	-15.00%
85%	$2,275	127.50%	-20%	$800	-20.00%
80%	$2,200	120.00%	-25%	$750	-25.00%
75%	$2,125	112.50%	-30%	$700	-30.00%
70%	$2,050	105.00%	-35%	$650	-35.00%
65%	$1,975	97.50%	-40%	$600	-40.00%
60%	$1,900	90.00%	-45%	$550	-45.00%
55%	$1,825				