

BEAR STEARNS COMPANIES INC  
Form 424B5  
March 24, 2006

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**PRICING SUPPLEMENT**

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

## The Bear Stearns Companies Inc.

**\$3,220,000 96% Principal Protected Notes, Linked to 140.00% of the  
Appreciation, if any,  
in the Value of a Basket of Asian Currencies against the U.S. Dollar  
Due March 27, 2007**

- The Notes are 96% principal protected if held to maturity and are linked to the potential appreciation, against the United States dollar (the U.S. dollar), in the value of an equally weighted basket comprised of the following six Asian currencies: (1) the Japanese yen (JPY); (2) the Indian rupee (INR); (3) the Korean won (KRW); (4) the Chinese renminbi (yuan) (CNY); (5) the Singapore dollar (SGD); and (6) the New Taiwan dollar (TWD). (JPY, INR, KRW, CNY, SGD and TWD are each a Component and collectively 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 the relation of the Final Basket Level to the Initial Basket Level.
- The Notes will allow you to participate in 140.00% of the potential appreciation in the Basket against the U.S. dollar.
- If, at maturity, the Final Basket Level is greater than or equal to the Initial Basket Level, the Cash Settlement Value per note will equal \$960, plus:
 
$$\$1,000 \times 140.00\% \times \left( \frac{\text{Final Basket Level} - \text{Initial Basket Level}}{\text{Initial Basket Level}} \right)$$
- If, at maturity, the Final Basket Level is less than the Initial Basket Level, the Cash Settlement Value will equal \$960.00.
- Because the Notes are 96% principal protected if held to maturity, in no event will the Cash Settlement Value be less than \$960 per Note.
- The CUSIP number for the Notes is 073928P98.

INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. THERE MAY NOT BE A SECONDARY MARKET IN THE NOTES, AND IF THERE WERE TO BE A SECONDARY MARKET, IT MAY NOT BE LIQUID. YOU SHOULD REFER TO RISK FACTORS BEGINNING ON PAGE PS-11.

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%	\$ 3,220,000
Agent's discount	1.00%	\$ 32,200
Proceeds, before expenses, to us	99.00%	\$ 3,187,800

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

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We may grant the agents a 30-day option from the date of the final pricing supplement, to purchase from us up to an additional \$480,000 of Notes at the public offering price, less the agent's discount, to cover any over-allotments.

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

**Bear, Stearns & Co. Inc.**

March 22, 2006

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### 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 appreciation, if any, in the value of the Basket against the U.S. dollar. 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 the principal 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.*

### Selected Investment Considerations

- **Partial principal protection** If the Final Basket Level is less than the Initial Basket Level, in all cases the Cash Settlement Value per note will be \$960. Because the Notes are 96% principal protected, in no event will you receive a Cash Settlement Value less than \$960 per Note. However, the Basket Level must increase by at least 2.86% for you to receive at least \$1,000 per Note, and the Basket Level must appreciate by more than this to earn any positive return.
- **Potential leverage in the increase in the Basket Level** The Notes may be an attractive investment for investors who have a bullish view of the Basket. If held to maturity, the Notes allow you to participate in 140% of any increase in the Basket Level.
- **No current income** We will not pay any interest on the Notes. 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.
- **Diversification** The Basket represents the relationship between the Components and the U.S. dollar, and the Notes may appreciate if the Basket increases; i.e., if the Basket Level appreciates against the U.S. dollar, or equivalently, if the U.S. dollar declines against the Basket Level. 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.

### Selected Risk Considerations

- **At maturity you may lose up to 4% of your principal** The full principal amount of your Notes is not protected. If the Final Basket Level is not at least 2.86% greater than the Initial Basket Level, the Cash Settlement Value will be proportionally less than the initial public offering price based upon the percentage change in the Basket Level. If the Final Basket Level is less than the Initial Basket Level, the Cash Settlement Value will be only 96% of your principal. Because the Notes are 96% principal protected, in no event will the Cash Settlement Value be less than \$960. Note that, if you sell your Notes prior to maturity, you may lose significantly more than 4% of your principal.

- Possible loss of value in the secondary market Your principal investment in the Notes is 96% 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 96% of the amount you originally invested.

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- **No interest, dividend or other payments** During the term of the Notes, you will not receive any periodic interest or other distributions and such payments will not be included in the calculation of the Cash Settlement Value you will receive at maturity.
- **The Notes will not be listed on any securities exchange** You should be aware that we cannot ensure that a secondary market in the Notes will develop; and, if such market does develop, it may not be liquid. Our subsidiary, Bear, Stearns & Co. Inc. ( Bear Stearns ) has advised us that it intends, 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. In any event, any such market-making activities will cease as of the close of business on the Maturity Date.
- **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.
- **Taxes** The U.S. federal income tax consequences of an investment in Notes are uncertain. We intend to treat the Notes as short-term debt obligations subject to the rules governing foreign currency gain or loss for U.S. federal income tax purposes. See Certain U.S. Federal Income Tax Considerations below.

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**KEY TERMS**

**Issuer:** The Bear Stearns Companies Inc.

**Face Amount:** Each Note will be issued in minimum denominations of \$1,000 and in \$1,000 increments in excess thereafter. When we refer to 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.

**Basket:** The Basket is comprised of six Asian currencies: (1) the Japanese yen ( JPY ); (2) the Indian rupee ( INR ); (3) the Korean won ( KRW ); (4) the Chinese renminbi (yuan) ( CNY ); (5) the Singapore dollar ( SGD ); and (6) the New Taiwan dollar ( TWD ). (JPY, INR, KRW, CNY, SGD and TWD are each a Component and collectively the Basket .) The weighting of each Component is fixed at 1/6 or approximately 16.67% and will not change, unless any Component is modified during the term of the Notes.

**Cash Settlement Value:** At maturity, we will pay you the Cash Settlement Value, an amount in cash per Note, in U.S. dollars, that is based upon the Final Basket Level in relation to the Initial Basket Level. The Notes will allow you to participate in 140.00% of the potential appreciation in the Basket based upon an increase in the Basket Level against the U.S. dollar.

If, at maturity, the Final Basket Level is greater than or equal to the Initial Basket Level, the Cash Settlement Value will equal \$960, plus:

$$\$1,000 \times 140.00\% \times \left( \frac{\text{Final Basket Level} - \text{Initial Basket Level}}{\text{Initial Basket Level}} \right)$$

The Notes are 96% principal protected if held to maturity. If, at maturity, the Final Basket Level is less than the Initial Basket Level, in all cases the Cash Settlement Value will equal \$960.00.

**Final Basket Level:** Will be determined by the Calculation Agent and will equal the Basket Level on the Calculation Date, determined as follows:

$$100x \left( \frac{\text{JPY Final}}{\text{JPY Initial}} + \frac{\text{INR Final}}{\text{INR Initial}} + \frac{\text{KRW Final}}{\text{KRW Initial}} + \frac{\text{CNY Final}}{\text{CNY Initial}} + \frac{\text{SGD Final}}{\text{SGD Initial}} + \frac{\text{TWD Final}}{\text{TWD Initial}} \right) / 6$$

For purposes of determining the Final Basket Level formula above, the exchange rates are defined as:

JPY Initial is equal to the JPY exchange rate at approximately 10:00 am New York time on the Pricing Date, expressed as number of U.S. dollars per 100 Japanese Yen (Bloomberg: JPYUSD <Curncy>), which was 0.85602.

JPY Final is equal to the JPY exchange rate at approximately 10:00 am New York time on the Calculation Date, expressed as number of U.S. dollars per 100 Japanese Yen (Bloomberg: JPYUSD <Currency>), as determined by the Calculation Agent.

INR Initial is equal to the INR exchange rate at approximately 10:00 am New York time on the Pricing Date, expressed as number of U.S. dollars per one Indian Rupee (Bloomberg: INRUSD <Currency>), which was 0.02248.

INR Final is equal to the INR exchange rate at approximately 10:00 am New York time on the Calculation Date, expressed as number of U.S. dollars per one Indian Rupee (Bloomberg: INRUSD <Currency>), as determined by the Calculation Agent.

KRW Initial is equal to the KRW exchange rate at approximately 10:00 am New York time on the Pricing Date, expressed as number of U.S. dollars per 100 Korean Won (Bloomberg: KRWUSD <Currency>), which was 0.10275.

KRW Final is equal to the KRW exchange rate at approximately 10:00 am New York time on the Calculation Date, expressed as number of U.S. dollars per 100 Korean Won (Bloomberg: KRWUSD <Currency>), as determined by the Calculation Agent.

CNY Initial is equal to the CNY exchange rate at approximately 10:00 am New York time on the Pricing Date, expressed as number of U.S. dollars per one Chinese Yuan (Bloomberg: CNYUSD <Currency>), which was 0.12456.

CNY Final is equal to the CNY exchange rate at approximately 10:00 am New York time on the Calculation Date, expressed as number of U.S. dollars per one Chinese Yuan (Bloomberg: CNYUSD <Currency>), as determined by the Calculation Agent.

SGD Initial is equal to the SGD exchange rate at approximately 10:00 am New York time on the Pricing Date, expressed as number of U.S. dollars per one Singapore Dollar (Bloomberg: SGDUSD <Currency>), which was 0.61889.

SGD Final is equal to the SGD exchange rate at approximately 10:00 am New York time on the Calculation Date, expressed as number of U.S. dollars per one Singapore Dollar (Bloomberg: SGDUSD <Currency>), as determined by the Calculation Agent.

TWD Initial is equal to the TWD exchange rate at approximately 10:00 am New York time on the Pricing Date, expressed as number of U.S. dollars per one New Taiwan Dollar (Bloomberg: TWDUSD <Currency>), which was 0.03072.

TWD Final is equal to the TWD exchange rate at approximately 10:00 am New York time on the Calculation Date, expressed as number of U.S. dollars per one New Taiwan Dollar (Bloomberg: TWDUSD <Currency>), as determined by the Calculation Agent.



**Basket Level:**

$$100 \times \left( \frac{\text{JPY}_n}{\text{JPY Initial}} + \frac{\text{INR}_n}{\text{INR Initial}} + \frac{\text{KRW}_n}{\text{KRW Initial}} + \frac{\text{CNY}_n}{\text{CNY Initial}} + \frac{\text{SGD}_n}{\text{SGD Initial}} + \frac{\text{TWD}_n}{\text{TWD Initial}} \right) / 6$$

*where n* is equal to the respective currency exchange rates at approximately 10:00 am New York time on the applicable Currency Business Day, as determined by reference to the applicable Bloomberg screen described in Final Basket Level above.

<b>Initial Basket Level:</b>	100.00
<b>Interest:</b>	The Notes will not bear interest.
<b>Pricing Date:</b>	March 22, 2006
<b>Settlement Date:</b>	March 27, 2006
<b>Calculation Date:</b>	March 22, 2007, or, if that day is not a Currency Business Day, the next Currency Business Day shall be the Calculation Date. If there is a Currency Disruption Event or a discontinuance of one or more Components or the Calculation Agent is unable to determine the Final Basket Level or a Successor Component for two consecutive Currency Business Days, the Final Basket Level shall be determined as described in Description of the Notes.
<b>Maturity Date:</b>	March 27, 2007
<b>Exchange Listing:</b>	The Notes will not be listed on any securities exchange.
<b>Currency Business Day:</b>	Will be a day, as determined by the Calculation Agent in its sole discretion, other than a Saturday or Sunday in the U.S., on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centers in each of the countries in which the currencies are the official countries.
<b>Calculation Agent:</b>	Bear Stearns Forex Inc. All determinations made by the Calculation Agent will be at the sole discretion of the Calculation Agent and will be conclusive for all purposes and binding on us and the beneficial owners of the Notes, absent manifest error.



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

## QUESTIONS AND ANSWERS

### What are the Notes?

The Notes are a series of our senior debt securities, the value of which is linked to the performance of the Basket. 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 96% principal protected if held to maturity. However, the Notes differ from traditional debt securities in that the Notes offer participation in 140.00% of the positive performance of the Basket Level, if any, (i.e., of the potential appreciation in the Basket Level against the U.S. dollar, or equivalently, a decline in the U.S. dollar against the Basket Level).

### What will I receive at Maturity of the Notes?

We have designed the Notes for investors who want to protect a substantial portion of their investment by receiving at least 96% of the principal amount of their Notes at maturity, while also having an opportunity to participate in 140.00% of the potential appreciation in the Basket. Upon maturity of the Notes, for each Note you own, you will receive a payment equal to the Cash Settlement Value, an amount in cash per Note, in U.S. dollars, that is based upon the Final Basket Level in relation to the Initial Basket Level.

If, at maturity, the Final Basket Level is greater than or equal to the Initial Basket Level, the Cash Settlement Value will equal \$960, plus:

$$\$1,000 \times 140.00\% \times \left( \frac{\text{Final Basket Level} - \text{Initial Basket Level}}{\text{Initial Basket Level}} \right)$$

The Notes are 96% principal protected if held to maturity. If, at maturity, the Final Basket Level is less than the Initial Basket Level, in all cases the Cash Settlement Value will equal \$960.00.

The Initial Basket Level equals 100.

The Final Basket Level equals the Basket Level on the Calculation Date:

$$100 \times \left( \frac{\text{JPY Final}}{\text{JPY Initial}} + \frac{\text{INR Final}}{\text{INR Initial}} + \frac{\text{KRW Final}}{\text{KRW Initial}} + \frac{\text{CNY Final}}{\text{CNY Initial}} + \frac{\text{SGD Final}}{\text{SGD Initial}} + \frac{\text{TWD Final}}{\text{TWD Initial}} \right) - 6$$

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



**Will there be additional offering 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 will be a function of the prevailing market conditions and level of the Basket at the time of the relevant sale.

We will treat any additional offerings of Notes as part of the same issue as the Notes for US federal income tax purposes. Accordingly, for purposes of the Treasury regulations governing original issue discount on debt instruments, we will treat any additional offerings of Notes as having the same issue date, the same issue price and, with respect to holders, the same adjusted issue price as the Notes. Consequently, the issue price of any additional offering of Notes for U.S. federal income tax purposes will be the first price at which a substantial amount of the Notes were sold to the public (excluding sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers). If we offer further issuances of the Notes, we will disclose the treatment of any relevant accrued interest.

**What does 96% principal protected mean?**

96% principal protected means that 96% of your principal investment in the Notes will not be at risk as a result of a decrease in the Basket Level, provided the Notes are held to maturity. At maturity, if the Final Basket Level is less than the Initial Basket Level, the Cash Settlement Value will equal \$960. Because the Notes are 96% principal protected, in no event will the Cash Settlement Value be less than \$960. However, to receive at least the \$1,000 principal amount per Note, the Basket must appreciate by at least 2.86%.

**Will I receive interest on the Notes?**

You will not receive any interest payments on the Notes.

**How have the prices of the Components performed historically?**

We have provided tables showing the price performance of the Components beginning in January 2001. You can find these tables in the section Description of the Components Historical Data on the Components in this pricing supplement. We have provided this historical information to help you evaluate the behavior of the prices of the Components in various economic environments; however, please note that this time period is relatively limited and past performance is not indicative of the manner in which the prices of the Components will perform in the future. You should refer to the section Risk Factors The historical performance of the Components is not an indication of the future performance of the Components.

**Will the Notes be listed on a securities exchange?**

The Notes will not be listed on any securities exchange; and we do not expect a secondary 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 in the future; nor can we predict the price at which any such bids will be made. In any event, any market-making transactions in the Notes will cease 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 once they are begun.

**Who will act as Calculation Agent?**

Bear Stearns Forex Inc. 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 Forex Inc.'s status as our subsidiary and its responsibilities as Calculation Agent. You should refer to Risk Factors The Calculation Agent is our affiliate 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 increase, if any, in the value of the Basket against the U.S. dollar, they may be appropriate for investors with specific investment horizons who seek to participate in the potential increase of the Basket against the U.S. dollar. In particular, the Notes may be an attractive investment for investors who:

- are seeking an investment that offers at least 96% principal protection if held to maturity;
- want 140.00% exposure to the potential increase in the Basket against the U.S. dollar;
- believe that the level of the Basket will increase over the term of the Notes (i.e., that the value of the Basket will increase against the U.S. dollar, or equivalently, that the U.S. dollar will decline against the value of the Basket);
- do not want to place more than 4% their principal at risk and are willing to hold the Notes until maturity;
- are willing to forgo interest payments or any other payments in return for 96% principal protection if held to maturity and participation of 140.00% in any appreciation in the level of the Basket; and
- understand that the values of 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.

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

- want 100% or full 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
- have a bearish view of the value of the Basket against the U.S. dollar 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 Notes are uncertain. We intend to treat the Notes as short-term debt obligations subject to the rules governing foreign currency gain or loss for U.S. federal income tax purposes. See Certain U.S. Federal Income Tax Considerations below.

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**Does ERISA impose any limitations on purchases of the Notes?**

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

**Are there any risks associated with my investment?**

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

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**RISK FACTORS**

The Notes are 96% principal protected if held to maturity. You will be subject to risks not associated with conventional fixed-rate or floating-rate debt securities. 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 Basket Level will fluctuate, and the possibility that you will receive a lower amount of principal if the Notes are sold prior to maturity. 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 impact on the value of, or the payment made on, the Notes.

**You may lose up to 4% of your principal, but may lose more if you sell your Notes prior to maturity.**

The full principal amount of your Notes is not protected against a decline in the Basket Level. You will lose up to 4% of the principal amount of your Notes if the Final Basket Level is not at least 2.86% greater than the Initial Basket Level. The Cash Settlement Value will equal at least the minimum payment of 96% of the principal amount of your Notes only if you hold your Notes to maturity. If you sell your Notes in the secondary market prior to maturity, you will not be entitled to 96% principal protection and you may receive less and possibly significantly less, than the initial public offering price of \$1,000 per Note. You therefore should be able and willing to hold your Notes until maturity.

**You will not receive any interest payments on the Notes.**

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-currency-related debt security of comparable maturity that bears interest at a prevailing market rate. 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, if any, may be below market interest rates on the Calculation Date.**

You may receive a Cash Settlement Value that is below what we would pay as of the issuance date if we had issued non-callable senior debt securities with a maturity similar to that of the Notes.

**The Notes are subject to foreign exchange risk.**

The relationship between the U.S. dollar and the Components comprising the Basket varies based on a number of interrelated factors, including economic, financial and political events or actions that we cannot control. There can be no assurance that the Basket Level will appreciate against the U.S. dollar over the term of the Notes.

**The Components are volatile and are affected by numerous factors specific to each international country.**

The value of each Component, which is primarily affected by the supply and demand for the Component and the U.S. dollar, may be affected by political, economic, financial, legal, accounting and tax matters specific to the country in which the Component is the official currency. Relevant factors include the possibility that exchange controls with respect to the Component and U.S. dollar could be imposed or modified, the possible imposition of regulatory controls or taxes, the overall growth and performance of the economies of the U.S. and Component country, the trade and current account balance between the U.S. and the Component country, market interventions by the Federal Reserve Board or the central bank of the Component country, inflation, interest rate levels, the performance of the stock markets in the U.S. and the Component country, the stability of the governments and banking systems of the U.S. and Component countries, wars in which the U.S. and the Component country are directly or indirectly involved or that occur anywhere in the world, major natural disasters in the U.S. or the Component country, and other foreseeable and unforeseeable events. Factors that may affect the likelihood of the

Component country imposing exchange control restrictions include the extent of the country's foreign currency reserves, the balance of payments, the extent of governmental surpluses and deficits, the size of the country's debt service burden relative to the economy as a whole, regional hostilities, terrorist attacks or social unrest, and political constraints to which the country may be subject. The Component country's government may choose to affect the exchange rate of its currency by central bank intervention, imposition of regulatory controls, taxes, revaluation or devaluation of the currency, the issuance of a replacement currency or by other available means. The value of the Component may also be affected by the operation of, and the identity of persons and entities trading on, interbank and interdealer foreign exchange markets in the U.S. and elsewhere.

Investments linked to foreign currencies involve risks associated with the currency markets of those countries, including risks of volatility and governmental intervention in those markets. There is also generally less publicly available information about foreign currencies and foreign fiscal and economic policies than there is concerning the U.S. dollar and U.S. fiscal and economic policies.

*Japan.* The Japanese yen is permitted to fluctuate in value relative to the U.S. dollar. However, the government may choose to affect the exchange rate of its currency by central bank intervention, imposition of regulatory controls, taxes, revaluation or devaluation of the currency, the issuance of a replacement currency or by other available means.

*Republic of India.* During the past decade, the Indian government has pursued policies of economic liberalization and deregulation, but the government's role in the economy has remained significant. The Indian government allows the exchange rate to float freely, without a fixed target or band, but will intervene when it deems necessary to preserve stability. It also has the ability to restrict the conversion of rupees into foreign currencies, and under certain circumstances investors that seek to convert rupees into foreign currency must obtain the approval of the Reserve Bank of India.

*The Republic of Korea.* Prior to 1997, the Korean government permitted currency exchange rates to float within a daily range of 2.25%. In response to economic difficulties in 1997, the government expanded the range of permitted currency exchange rate fluctuations to 10%. In December 1997, the government eliminated the daily currency exchange rate band and the Korean won now floats according to market forces. However, any existing or future restrictions on currency exchange in the Republic of Korea could affect the exchange rate between the Korean won and the U.S. dollar.

*The People's Republic of China.* Since the beginning of 1994, the Chinese government has used a managed floating exchange rate system, under which the People's Bank of China allows the renminbi to float within a specified band around the central exchange rate that is published daily by the People's Bank. In July 2005, the Bank revalued the renminbi by 2% and announced that in the future it would set the value of the renminbi with reference to a basket of currencies rather than solely with reference to the U.S. dollar. In addition, the Bank recently announced that the reference basket of currencies used to set the value of the renminbi will be based on a daily poll of market dealers and other undisclosed factors. To the extent that management of the renminbi results in trading levels that do not fully reflect market forces, any further changes in the government's management of its currency could result in significant movement in the exchange rate between the Chinese renminbi and the U.S. dollar.

*Singapore.* The Singapore dollar is permitted to fluctuate in value relative to the U.S. dollar. However, the government may choose to affect the exchange rate of its currency by central bank intervention, imposition of regulatory controls, taxes, revaluation or devaluation of the currency, the issuance of a replacement currency or by other available means.

*Taiwan.* The Taiwan dollar is allowed to float according to market forces, but the government has from time to time intervened to minimize fluctuation of the exchange rate and to prevent significant declines in the Taiwan dollar with respect to the U.S. dollar. In addition, the exchange rate may be affected by developments in relations between Taiwan and the People's Republic of China, which has threatened to use military force to gain control over Taiwan in limited circumstances, such as a declaration of independence by Taiwan.

The Components are volatile and are affected by numerous factors specific to each international country. 16





**The Basket is geographically limited.**

The Basket is comprised of six Asian currencies. Therefore, the foreign currency exposure achieved by the Basket is limited geographically. Because the Basket is limited to six Asian currencies, events occurring in Asia which affect that region could have a negative impact on more than one, or all, of the Components at the same time, which could have an adverse effect on the value of the Notes. For example, a financial crisis could erupt in Asia and lead to sharp declines in the currencies, stock markets and other asset prices of a number of Asian countries, threatening their financial systems, disrupting their real economies and causing political upheaval. A financial crisis or other event in any of the Component countries could have a negative impact on some or all of the Components and, consequently, the value of the Notes may be adversely affected.

**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.

**Changes in correlation among the prices of the Components may adversely affect the value of the Notes.**

Correlation is the extent to which the levels among the Components increase or decrease to the same degree at the same time. To the extent that correlation among the Components changes, the value of the Notes may be adversely affected. For example, if the price of one Component increases sharply and the others depreciate slightly or remain unchanged, the Basket Level may depreciate, which may cause the value of the Notes to decline. Moreover, a sharp decrease in the price of one or more of the Components relative to the others may cause the Basket Level, during the term of the Notes, or Final Basket Level to decline below the Initial Basket Level and, therefore, limit the Cash Settlement Value to the principal of your Notes.

**You must rely on your own evaluation of the merits of an investment in the Notes.**

In connection with your purchase of the Notes, we urge you to consult your own financial, tax and legal advisors as to the risks entailed by an investment in Notes and to investigate the Components and the Basket and not rely on our views in any respect. You should make such investigation as you deem appropriate as to the merits of an investment in the Notes. In the ordinary course of our business, we may from time to time express views on expected movements in the foreign currency markets in general and in the Components in particular. These views may vary over differing time horizons and are subject to change without notice. Moreover, other professionals who deal in the currency markets may at any time have views that differ significantly from ours.

**The liquidity, trading value and Cash Settlement Value under the Notes could be affected by the actions of the governments of the United States and the countries in which the Basket currencies are the official currency.**

Governments, from time to time, may not allow their currencies to float freely in response to economic forces or, as is currently the case with China, may use a managed floating system. Moreover, governments, including those of the United States and the countries in which the Basket currencies are the official currencies, use a variety of techniques, such as intervention by their central banks or imposition of regulatory controls or taxes, to affect the exchange rates of their respective currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by devaluation or revaluation of a currency. Thus, a special risk in purchasing the Notes is that their liquidity, trading value and Cash Settlement Value could be affected by the actions of sovereign governments which could change or interfere with currency valuation and the movement of currencies across borders. There will be no adjustment or change in the terms of the Notes in the event that exchange rates should become fixed, or in the event of any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes, or in the event of the issuance of a replacement currency or in the event of any other development affecting the Basket or the U.S. dollar.

**The Interdealer market in foreign currencies is an around-the-clock market; however, if a secondary market develops, the Notes may trade only during regular trading hours in the United States.**

The interdealer market for foreign currencies is a global, around-the-clock market. Therefore, the hours of trading for the Notes may not conform to the hours during which the Components and the U.S. dollar are traded. To the extent that U.S. markets are closed while international markets remain open, significant movements may take place in the underlying foreign exchange markets that will not be reflected immediately in the price of the Notes. There is no systematic reporting of last-sale information for foreign currencies. Reasonable current bid and offer information is available in certain brokers' offices and to others who wish to subscribe for this information, but this information may not necessarily reflect the spot rate relevant for determining the value of the Notes. The absence of last-sale information and the limited availability of quotations to individual investors would make it difficult for many investors to obtain timely, accurate data about the state of the underlying foreign exchange markets.

**Tax consequences.**

The U.S. federal income tax consequences of an investment in Notes are uncertain. We intend to treat the Notes as short-term debt obligations subject to the rules governing foreign currency gain or loss for U.S. federal income tax purposes. See "Certain U.S. Federal Income Tax Considerations" below.

**The historical performance of the Components is not an indication of the future performance of the Components.**

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

**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 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 Components, whether or not the Basket Level is greater than or equal to the Initial Basket Level, changes in interest rates in the international markets, 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 value of the Basket is less than, equal to or not sufficiently above the value of the Basket on the date you purchased the Notes. 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 Level at any given time is greater than the Initial Basket Level (*i.e.*, by the amount, if any, of appreciation in the Basket Level against the U.S. dollar). If you decide to sell your Notes when the Basket Level is greater than the Initial Basket Level, you may nonetheless receive substantially less than the amount that would be payable at maturity based on that Basket Level because of expectations that the Basket Level will continue to fluctuate until the Final Basket Level is determined. Economic, financial and other developments that affect the Components may also affect the value of the Notes.

*Volatility of the Components.* Volatility is the term used to describe the size and frequency of market fluctuations. Generally, if the volatility of the Components decreases, the trading value of the Notes will decrease; and, if the volatility of the Components increases, the trading value of the Notes will increase.

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The effect of the volatility of the Components on the trading value of the Notes may not necessarily decrease over time during the term of the Notes.

*Interest rates.* We expect that the trading value of the Notes will be affected by changes in interest rates in the international markets. In general, if U.S. interest rates increase, the value of outstanding debt securities tends to decrease; conversely, if U.S. interest rates decrease, the value of outstanding debt securities tends to increase. Interest rates also may affect the U.S. and international economies and, in turn, the Components and the value of the Basket, which would affect the value of the Notes.

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

*Time remaining to maturity.* A time premium results from expectations concerning the value of the Basket 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.

*Events involving the relevant currencies.* General economic, political, legal and other political conditions affecting the Components, and real or anticipated changes in those conditions or results, may affect the trading value of the Notes.

*Size and liquidity of the secondary market.* The Notes will not be listed on any securities exchange; and 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 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.

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 Basket Level.

### **You have no rights to receive any Component.**

Investing in the Notes will not make you a holder of any Component. The Notes will be paid in U.S. dollars, and you will have no right to receive delivery of a Component.

### **The Calculation Agent is our affiliate which could result in a conflict of interest.**

Bear Stearns Forex Inc. will act as the Calculation Agent. The Calculation Agent will make certain determinations and judgments in connection with calculating the Basket Level, the Final Basket Level, or deciding whether a Market Disruption Event has occurred. You should refer to Description of the Notes Discontinuance of the Components, Adjustments to the Components and Market Disruption Events. Because Bear Stearns Forex Inc. is our affiliate, conflicts of interest may arise in connection with our affiliate performing its role as Calculation Agent.

Bear Stearns Forex Inc. and its affiliates may, at various times, engage in transactions involving the currencies to which the Basket relates for their proprietary accounts, and for other accounts under their management. These transactions, if effected in substantial size, may influence the value of such currencies, 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

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

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Notes. You should refer to Use of Proceeds and Hedging. Accordingly, under certain circumstances, conflicts of interest may arise between Bear Stearns Forex Inc.'s responsibilities as Calculation Agent with respect to the Notes and BSIL's obligations under our hedge.

**Trading and other transactions by us or our affiliates could affect the prices of the Components, 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 the Components or derivative instruments related to the Components for our own accounts in connection with our normal business practices or in connection with hedging our obligations under the Notes. These trading activities may present a conflict of interest between your interest in the Notes and the interests we and our affiliates may have in our proprietary accounts, in facilitating transactions, including block trades, for our other customers and in accounts under our management. The transactions, if effected in substantial size, could affect the prices of those Components 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 prices of the Components and, accordingly, increase or decrease the trading value of the Notes prior to maturity and the Cash Settlement Value you would receive at maturity. To the extent that we or any of our affiliates has a hedge position in either of the Components, or derivative or synthetic instruments related to the Components, we or any of our affiliates may liquidate a portion of such holdings at or about the time of the maturity of the Notes. 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 prices of the Components, we cannot assure you that these activities will not affect such prices 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 issue, underwrite or assist unaffiliated entities in the issuance or underwriting of other securities or financial instruments with returns indexed to the Components. By introducing competing products into the marketplace in this manner, we or our affiliates could adversely affect the value of the Notes.

One or more of our affiliates have published, and may in the future publish, research reports regarding the currencies to which the Basket relates. This research may be modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing, holding or selling the Notes. Any of these activities may affect the trading value of the Notes. 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 movements of the Components than do the Notes (e.g., to take a bearish rather than a bullish view).

**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 one or more Components 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 Currency 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 entitled **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 issuance will increase the aggregate principal amount of the outstanding Notes of this series, plus the aggregate principal amount of any Notes bearing the same CUSIP number that are issued pursuant to (i) any 30-day option we grant to Bear, Stearns & Co. Inc., and (ii) any future issuances of Notes bearing the same CUSIP number. The price of any additional offerings will be determined at the time of pricing of each offering, which will be a function of the prevailing market conditions and level of the Basket at the time of the relevant sale.

#### Interest

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

#### Payment at Maturity

We have designed the Notes for investors who want to protect their investment by receiving at least 96% of the principal amount of their Notes at maturity, while also having an opportunity to participate in 140.00% of the potential increase in the value of the Basket against the U.S. dollar if the Final Basket Level is greater than the Initial Basket Level (i.e., if the value of the Basket appreciates against the U.S. dollar). At maturity, we will pay you the Cash Settlement Value, an amount in cash per Note, in U.S. dollars, that is based upon the Final Basket Level in relation to the Initial Basket Level. The Notes will allow you to participate in 140.00% of any appreciation in the Basket.

If, at maturity, the Final Basket Level is greater than or equal to the Initial Basket Level, the Cash Settlement Value will equal \$960, plus:

$$\$1,000 \times 140.00\% \times \left( \frac{\text{Final Basket Level} - \text{Initial Basket Level}}{\text{Initial Basket Level}} \right)$$

Note that the Basket Level must increase by at least 2.86% for the purchaser of a Note to receive at least \$1,000 per Note at maturity.

The Notes are 96% principal protected if held to maturity. If, at maturity, the Final Basket Level is less than the Initial Basket Level, in all cases the Cash Settlement Value will equal \$960.00.

The Final Basket Level will be determined by the Calculation Agent and will equal the Basket Level on the Calculation Date, determined as follows:

$$100 \times \left( \frac{\text{JPY Final}}{\text{JPY Initial}} + \frac{\text{INR Final}}{\text{INR Initial}} + \frac{\text{KRW Final}}{\text{KRW Initial}} + \frac{\text{CNY Final}}{\text{CNY Initial}} + \frac{\text{SGD Final}}{\text{SGD Initial}} + \frac{\text{TWD Final}}{\text{TWD Initial}} \right) / 6$$

For purposes of determining the Final Basket Level formula above, the exchange rates are defined as:

JPY Initial is equal to the JPY exchange rate at approximately 10:00 am New York time on the Pricing Date, expressed as number of U.S. dollars per 100 Japanese Yen (Bloomberg: JPYUSD <Currency>), which was 0.85602.

JPY Final is equal to the JPY exchange rate at approximately 10:00 am New York time on the Calculation Date, expressed as number of U.S. dollars per 100 Japanese Yen (Bloomberg: JPYUSD <Currency>), as determined by the Calculation Agent.

INR Initial is equal to the INR exchange rate at approximately 10:00 am New York time on the Pricing Date, expressed as number of U.S. dollars per one Indian Rupee (Bloomberg: INRUSD <Currency>), which was 0.02248.

INR Final is equal to the INR exchange rate at approximately 10:00 am New York time on the Calculation Date, expressed as number of U.S. dollars per one Indian Rupee (Bloomberg: INRUSD <Currency>), as determined by the Calculation Agent.

KRW Initial is equal to the KRW exchange rate at approximately 10:00 am New York time on the Pricing Date, expressed as number of U.S. dollars per 100 Korean Won (Bloomberg: KRWUSD <Currency>), which was 0.10275.

KRW Final is equal to the KRW exchange rate at approximately 10:00 am New York time on the Calculation Date, expressed as number of U.S. dollars per 100 Korean Won (Bloomberg: KRWUSD <Currency>), as determined by the Calculation Agent.

CNY Initial is equal to the CNY exchange rate at approximately 10:00 am New York time on the Pricing Date, expressed as number of U.S. dollars per one Chinese Yuan (Bloomberg: CNYUSD <Currency>), which was 0.12456.

CNY Final is equal to the CNY exchange rate at approximately 10:00 am New York time on the Calculation Date, expressed as number of U.S. dollars per one Chinese Yuan (Bloomberg: CNYUSD <Currency>), as determined by the Calculation Agent.

SGD Initial is equal to the SGD exchange rate at approximately 10:00 am New York time on the Pricing Date, expressed as number of U.S. dollars per one Singapore Dollar (Bloomberg: SGDUSD <Currency>), which was 0.61889.



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SGD Final is equal to the SGD exchange rate at approximately 10:00 am New York time on the Calculation Date, expressed as number of U.S. dollars per one Singapore Dollar (Bloomberg: SGDUSD <Curncy>), as determined by the Calculation Agent.

TWD Initial is equal to the TWD exchange rate at approximately 10:00 am New York time on the Pricing Date, expressed as number of U.S. dollars per one New Taiwan Dollar (Bloomberg: TWDUSD <Curncy>), which was 0.03072.

TWD Final is equal to the TWD exchange rate at approximately 10:00 am New York time on the Calculation Date, expressed as number of U.S. dollars per one New Taiwan Dollar (Bloomberg: TWDUSD <Curncy>), as determined by the Calculation Agent.

The Basket is comprised of six Asian currencies: (1) the Japanese yen ( JPY ); (2) the Indian rupee ( INR ); (3) the Korean won ( KRW ); (4) the Chinese renminbi (yuan) ( CNY ); (5) the Singapore dollar ( SGD ); and (6) the New Taiwan dollar ( TWD ). (JPY, INR, KRW, CNY, SGD and TWD are each a Component and collectively the Basket .) The weighting of each Component is fixed at 1/6 or approximately 16.67% and will not change, unless any Component is modified during the term of the Notes.

The Basket Level equals:

$$100 \times \left( \frac{\text{JPY}_n}{\text{JPY Initial}} + \frac{\text{INR}_n}{\text{INR Initial}} + \frac{\text{KRW}_n}{\text{KRW Initial}} + \frac{\text{CNY}_n}{\text{CNY Initial}} + \frac{\text{SGD}_n}{\text{SGD Initial}} + \frac{\text{TWD}_n}{\text{TWD Initial}} \right) \frac{1}{6}$$

*where* *n* is equal to the respective currency exchange rate at approximately 10:00 am New York time on the applicable Currency Business Day, as determined by reference to the applicable Bloomberg screen described in Final Basket Level above.

The Initial Basket Level equals 100.

The Pricing Date of the Notes is March 22, 2006.

The Settlement Date of the Notes is March 27, 2006.

The Calculation Date of the Notes is March 22, 2007, or, if that day is not a Currency Business Day, the next Currency Business Day shall be the Calculation Date. If there is a Currency Disruption Event or a discontinuance of one or more Components or the Calculation Agent is unable to determine the Final Basket Level or a Successor Component for two consecutive Currency Business Days, the Final Basket Level shall be determined as described in Description of the Notes.

The Maturity Date of the Notes is March 27, 2007.

A Currency Business Day will be a day, as determined by the Calculation Agent in its sole discretion, other than a Saturday or Sunday in the U.S., on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centers in each of the countries in which the currencies are the official currencies.

### **Illustrative Examples:**

The following table demonstrating the hypothetical Cash Settlement Value of a Note is 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. This 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 Basket Level is equal to 100.00.

The Notes allow you to participate in 140.00% of the potential increase in the Basket Level against the U.S. dollar.

All returns are based on a 12-month term; pre-tax basis.

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

Initial Basket Level	Hypothetical Basket Level	Percentage Change in the Basket	Cash Settlement Value per Note	Percentage Return per Note (140% of Percentage Change in the Basket, if positive)
100	190	90%	\$ 2,220.00	122%
100	180	80%	\$ 2,080.00	108%
100	170	70%	\$ 1,940.00	94%
100	160	60%	\$ 1,800.00	80%
100	150	50%	\$ 1,660.00	66%
100	140	40%	\$ 1,520.00	52%
100	130	30%	\$ 1,380.00	38%
100	120	20%	\$ 1,240.00	24%
100	110	10%	\$ 1,100.00	10%
100	100	0%	\$ 960.00	-4%
100	90	-10%	\$ 960.00	-4%
100	80	-20%	\$ 960.00	-4%
100	70	-30%	\$ 960.00	-4%
100	60	-40%	\$ 960.00	-4%
100	50	-50%	\$ 960.00	-4%
100	40	-60%	\$ 960.00	-4%
100	30	-70%	\$ 960.00	-4%
100	20	-80%	\$ 960.00	-4%
100	10	-90%	\$ 960.00	-4%
100	0	-100%	\$ 960.00	-4%

**Discontinuance of a Component**

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

If the Calculation Agent determines that any Successor Component shall be utilized for purposes of calculating the Final Basket Level, the Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Calculation Agent, may be necessary in order to arrive at the Final Basket Level.

Upon any selection by the Calculation Agent of a Successor Component, the Calculation Agent will notify us and the Trustee, who will provide notice to you. If a Successor Component is selected by the Calculation Agent, the Successor Component will be used as a substitute for the Component for all purposes, including for purposes of calculating the Cash Settlement Value and determining whether a Market Disruption Event exists.

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If the Calculation Agent, in its sole discretion, determines that (i) it is unable to determine the Final Basket Level or Successor Component for two consecutive Currency Business Days, or (ii) that a Component has been removed from circulation or otherwise discontinued and that no Successor Component is available at such time, the Calculation Agent will determine, in its sole discretion, the value of the Component to be used for the Final Basket Level. Notwithstanding the foregoing, if a Component has been removed from circulation or otherwise discontinued, and the Calculation Agent determines that no Successor Component is available at such time and no Successor Component is likely to become available, the Calculation Agent may, in its sole discretion, (i) at maturity, calculate the Final Basket Level without regard to that Component, or (ii) accelerate the Maturity Date for the Notes, calculate the Final Basket Level as specified above and calculate the Cash Settlement Value based upon such Final Basket Level.

### **Market Disruption Events**

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

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

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

(b) any other event, the Calculation Agent determines in its sole discretion, that materially interferes with our ability or our affiliates' ability to unwind all or a material portion of a hedge with respect to the Notes that we or our affiliates have effected or may effect.

### **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 by Bear Stearns will be made 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

Bear Stearns Forex Inc. will be the Calculation Agent for the Notes. All determinations made by Bear Stearns Forex Inc. as Calculation Agent will be at its sole discretion and will, in the absence of manifest error, be conclusive for all purposes and binding on you and us. Because we are the issuer of the Notes and our subsidiary is the Calculation Agent, potential conflicts of interest may exist between you and us, including with respect to certain determinations and judgments that Bear Stearns Forex Inc. must make in determining the Cash Settlement Value. Bear Stearns Forex Inc. is obligated to carry out its duties and functions as Calculation Agent in good faith and using its reasonable judgment.

### DESCRIPTION OF THE BASKET

#### General

We obtained all information regarding the Components contained in this pricing supplement from publicly available information without independent verification. The consequences of a discontinuation of the Components are described below. We do not assume any responsibility for the accuracy or completeness of any information relating to the Components.

The currencies that will comprise the Basket are the Japanese yen (JPY), the Indian rupee (INR), the Korean won (KRW), the Chinese renminbi (yuan) (CNY), the Singapore dollar (SGD) and the New Taiwan dollar (TWD). The exchange rates used to determine the Initial Basket Level and Final Basket Level are foreign exchange spot prices that measure the relative values of the Components against the U.S. dollar expressed as the number of U.S. dollars which can be exchanged for one unit of the applicable Component. If the applicable Component depreciates against the U.S. dollar, the Component decreases, because it takes fewer U.S. dollars to purchase one unit of the Component. If the value of the Component appreciates against the U.S. dollar, the price of the Component increases, because it takes more U.S. dollars to purchase one unit of the Component.

The weighting of each Component is fixed at 1/6 or approximately 16.67% and will not change, unless any Component is modified during the term of the Notes.

#### Historical Data on the Components

The tables below were constructed using historical data regarding the prices of the Components. The historical data is for illustrative purposes and is not indicative of the future performance of the Components or the future value of the Notes. While the prices of the Components will determine the value of the Basket, it is impossible to predict whether the value of the Basket will rise or fall during the term of the Notes. Trading prices of the Components will be influenced by both the complex and interrelated political, economic, financial and other factors that can affect the currency markets generally and the markets for the Components in particular. Any historical upward or downward trend in the value of the Components during any period set forth below is not an indication that the Components are more or less likely to increase or decrease at any time during the term of the Notes. All information in the tables that follow was obtained from Bloomberg, without independent verification.

The tables below set forth the highest and lowest daily levels during the applicable quarter, as well as the end-of-quarter closing levels of the Components for each quarter beginning with January 1, 2001 (expressed as the number of U.S. dollars which can be exchanged for one unit of the respective Component).

Japanese yen.

	High	Low	Period End
2001			
First Quarter	0.88063	0.79133	0.79164
Second Quarter	0.84531	0.78815	0.80205
Third Quarter	0.86330	0.79290	0.83644
Fourth Quarter	0.83784	0.75723	0.75953
2002			
First Quarter	0.79051	0.73190	0.75344
Second Quarter	0.84449	0.74716	0.83633
Third Quarter	0.86546	0.80502	0.82146
Fourth Quarter	0.84520	0.79567	0.84160
2003			
First Quarter	0.85930	0.82050	0.84655
Second Quarter	0.86885	0.82560	0.83480
Third Quarter	0.90795	0.82870	0.89680
Fourth Quarter	0.93560	0.89620	0.93265
2004			
First Quarter	0.96315	0.89065	0.95905
Second Quarter	0.96600	0.87055	0.91940
Third Quarter	0.92940	0.88905	0.90868
Fourth Quarter	0.98140	0.89726	0.97442
2005			
First Quarter	0.98328	0.92863	0.93332
Second Quarter	0.95951	0.90102	0.90151
Third Quarter	0.91908	0.87959	0.88121
Fourth Quarter	0.88464	0.82379	0.84937
2006			
First Quarter (through March 20, 2006)	0.86555	0.85878	0.86088

Indian rupee.

	High	Low	Period End
2001			
First Quarter	0.02158	0.01639	0.02145
Second Quarter	0.02173	0.02046	0.02126
Third Quarter	0.02128	0.01749	0.02089
Fourth Quarter	0.02106	0.02067	0.02072
2002			
First Quarter	0.02455	0.01546	0.02049
Second Quarter	0.02130	0.02000	0.02045
Third Quarter	0.02233	0.01903	0.02067
Fourth Quarter	0.02632	0.02024	0.02090
2003			
First Quarter	0.02130	0.02020	0.02105
Second Quarter	0.02155	0.00000	0.02110
Third Quarter	0.02260	0.00000	0.02185
Fourth Quarter	0.02210	0.02160	0.02190
2004			
First Quarter	0.02270	0.02190	0.02300
Second Quarter	0.02300	0.02160	0.02175

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Third Quarter		0.02230	0.02150	0.02175
Fourth Quarter		0.02302	0.02166	0.02300

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	High	Low	Period End
2005			
First Quarter	0.02309	0.02196	0.02285
Second Quarter	0.02311	0.02280	0.02297
Third Quarter	0.02316	0.02266	0.02272
Fourth Quarter	0.02270	0.02157	0.02220
2006			
First Quarter (through March 20, 2006)	0.02262	0.02250	0.02250

Korean won.

	High	Low	Period End
2001			
First Quarter	0.08110	0.07510	0.07510
Second Quarter	0.07812	0.07309	0.07689
Third Quarter	0.07852	0.07616	0.07666
Fourth Quarter	0.07948	0.07491	0.07613
2002			
First Quarter	0.07707	0.07468	0.07536
Second Quarter	0.08344	0.07479	0.08325
Third Quarter	0.08639	0.08113	0.08180
Fourth Quarter	0.08445	0.07886	0.08430
2003			
First Quarter	0.08570	0.07915	0.07970
Second Quarter	0.08460	0.07930	0.08370
Third Quarter	0.08695	0.08380	0.08690
Fourth Quarter	0.08730	0.08260	0.08375
2004			
First Quarter	0.08680	0.08355	0.08720
Second Quarter	0.08770	0.08390	0.08660
Third Quarter	0.08741	0.08520	0.08682
Fourth Quarter	0.09666	0.08664	0.09659
2005			
First Quarter	0.10108	0.09443	0.09833
Second Quarter	0.10030	0.09681	0.09667
Third Quarter	0.09894	0.09467	0.09593
Fourth Quarter	0.09951	0.09414	0.09901
2006			
First Quarter (through March 20, 2006)	0.10340	0.10297	0.10340

Chinese renminbi (yuan).

	High	Low	Period End
2001			
First Quarter	0.12080	0.12080	0.12080
Second Quarter	0.12080	0.12080	0.12080
Third Quarter	0.12080	0.12080	0.12080
Fourth Quarter	0.12080	0.12080	0.12080





	High	Low	Period End
2002			
First Quarter	0.12080	0.12080	0.12080
Second Quarter	0.12080	0.12080	0.12080
Third Quarter	0.12080	0.12080	0.12080
Fourth Quarter	0.12080	0.12080	0.12080
2003			
First Quarter	0.12080	0.12080	0.12080
Second Quarter	0.12080	0.12080	0.12080
Third Quarter	0.12080	0.12080	0.12080
Fourth Quarter	0.12080	0.12080	0.12080
2004			
First Quarter	0.12080	0.12080	0.12080
Second Quarter	0.12080	0.12080	0.12080
Third Quarter	0.12080	0.12080	0.12080
Fourth Quarter	0.12080	0.12080	0.12080
2005			
First Quarter	0.12080	0.12080	0.12080
Second Quarter	0.12090	0.12070	0.12080
Third Quarter	0.12370	0.12080	0.12360
Fourth Quarter	0.12390	0.12360	0.12390
2006			
First Quarter (through March 20, 2006)	0.12460	0.12460	0.12460

Singapore dollar.

	High	Low	Period End
2001			
First Quarter	0.58050	0.55360	0.55420
Second Quarter	0.55660	0.54740	0.54870
Third Quarter	0.57810	0.54330	0.56650
Fourth Quarter	0.56660	0.53880	0.54190
2002			
First Quarter	0.55120	0.53900	0.54260
Second Quarter	0.56800	0.54070	0.56590
Third Quarter	0.57850	0.55940	0.56200
Fourth Quarter	0.57710	0.55300	0.57640
2003			
First Quarter	0.57990	0.56370	0.56670
Second Quarter	0.58420	0.55890	0.56810
Third Quarter	0.58030	0.56590	0.57850
Fourth Quarter	0.58890	0.57100	0.58800
2004			
First Quarter	0.59970	0.58180	0.59680
Second Quarter	0.60210	0.57780	0.58200
Third Quarter	0.59420	0.57820	0.59380
Fourth Quarter	0.61400	0.59070	0.61280
2005			
First Quarter	0.61870	0.60280	0.60590
Second Quarter	0.61200	0.59210	0.59320

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Third Quarter		0.60840	0.58610	0.59100
Fourth Quarter		0.60220	0.58590	0.60120

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	High	Low	Period End
2006			
First Quarter (through March 20, 2006)	0.62020	0.61790	0.61940
<u>New Taiwan dollar.</u>			

	High	Low	Period End
2001			
First Quarter	0.03130	0.03020	0.03040
Second Quarter	0.03130	0.02900	0.02900
Third Quarter	0.02940	0.02830	0.02890
Fourth Quarter	0.02910	0.02840	0.02860
2002			
First Quarter	0.02870	0.02840	0.02860
Second Quarter	0.02990	0.02850	0.02990
Third Quarter	0.03050	0.02860	0.02870
Fourth Quarter	0.02910	0.02840	0.02880
2003			
First Quarter	0.02910	0.02840	0.02880
Second Quarter	0.02900	0.02860	0.02890
Third Quarter	0.02960	0.02890	0.02960
Fourth Quarter	0.02970	0.02910	0.02940
2004			
First Quarter	0.03020	0.02940	0.03030
Second Quarter	0.03050	0.02950	0.02960
Third Quarter	0.02970	0.02920	0.02940
Fourth Quarter	0.03160	0.02940	0.03160
2005			
First Quarter	0.03260	0.03100	0.03170
Second Quarter	0.03220	0.03150	0.03160
Third Quarter	0.03170	0.03000	0.03010
Fourth Quarter	0.03050	0.02960	0.03050
2006			
First Quarter (through March 20, 2006)	0.03080	0.03090	0.03080

#### Foreign Exchange Market

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

There are three major kinds of transactions in the traditional foreign exchange markets: spot transactions, outright forwards and foreign exchange swaps. Spot trades are foreign exchange transactions that settle typically within two business days with the counterparty to the trade.

Forward trades are transactions that settle on a date beyond spot, and swap transactions are transactions in which two parties exchange two currencies on one or more specified dates over an agreed period and exchange them again when the period ends. There also are transactions in currency options, which trade both over-the-counter and, in the U.S., on the Philadelphia Stock Exchange. Currency futures are transactions in which an institution buys or sells a standardized amount of foreign currency on an organized exchange for delivery on one of several specified dates, but typically closes out the contract prior to making or taking delivery. Currency futures are traded in a number of regulated markets, including the International Monetary Market division of the Chicago Mercantile Exchange, the Singapore Exchange Derivatives Trading Limited (formerly the Singapore International Monetary Exchange) and the London International Financial Futures Exchange

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

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

#### **CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Cadwalader, Wickersham & Taft LLP, special U.S. tax counsel to us, the following discussion summarizes certain U.S. federal income tax consequences of the purchase, beneficial ownership and disposition of Notes. For purposes of this summary, a U.S. holder is a beneficial owner of a Note that is:

an individual who is a citizen or a resident of the United States for U.S. federal income tax purposes;

a corporation (or other entity that is treated as a corporation for U.S. federal tax purposes) that is created or organized in or under the laws of the United States or any State thereof (including the District of Columbia);

an estate whose income is subject to U.S. federal income taxation regardless of its source; or

a trust if a court within the United States is able to exercise primary supervision over its administration, and one or more United States persons, as defined for U.S. federal income tax purposes, have the authority to control all of its substantial decisions.

For purposes of this summary, a Non-U.S. holder is a beneficial owner of a Note that is:

a nonresident alien individual for U.S. federal income tax purposes;

a foreign corporation for U.S. federal income tax purposes;

an estate whose income is not subject to U.S. federal income tax on a net income basis; or

a trust if no court within the United States is able to exercise primary jurisdiction over its administration or if no United States persons, as defined for U.S. federal income tax purposes, have the authority to control all of its substantial decisions.

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

This summary is based on interpretations of the Internal Revenue Code of 1986, as amended (the Code), regulations issued thereunder, and rulings and decisions currently in effect (or in some cases proposed), all of which are subject to change. Any such change may be applied retroactively and may adversely affect the U.S. federal income tax consequences described herein. This summary addresses only U.S. holders that purchase Notes at initial issuance and beneficially own such Notes as capital assets and not as part of a straddle, hedge, synthetic



security or a conversion transaction for U.S. federal income tax purposes, or as part of some other integrated investment. This summary does not discuss all of the tax consequences that may be relevant to particular investors or to investors subject to special treatment under the U.S. federal income tax laws (such as banks, thrifts, or other financial institutions; insurance companies; securities dealers or brokers, or traders in securities electing mark-to-market treatment; mutual funds or real estate investment trusts; small business investment companies; S corporations; investors that hold their Notes through a partnership or other entity treated as a partnership for U.S. federal tax purposes; investors whose functional currency is not the U.S. dollar; certain former citizens or residents of the United States; persons subject to the alternative minimum tax; retirement plans or other tax-exempt entities, or persons holding the Notes in tax-deferred or tax-advantaged accounts; or controlled foreign corporations or a passive foreign investment companies for U.S. federal income tax purposes). This summary also does not address the tax consequences to shareholders, or other equity holders in, or beneficiaries of, a holder of Notes, or any state, local or foreign tax consequences of the purchase, ownership or disposition of the Notes.

PROSPECTIVE PURCHASERS OF NOTES SHOULD CONSULT THEIR TAX ADVISORS AS TO THE U.S. FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF NOTES AS WELL AS ANY CONSEQUENCES ARISING UNDER THE LAWS OF ANY OTHER TAXING JURISDICTION TO WHICH THEY MAY BE SUBJECT.

### **In General**

There are no regulations, published rulings or judicial decisions addressing the characterization for U.S. federal income tax purposes of securities with terms that are substantially the same terms as those of the Notes and, therefore, the U.S. federal income tax treatment of a Note is not free from doubt. We intend to treat the Notes as short-term debt obligations for U.S. federal income tax purposes that are subject to the rules set forth in section 988 of the Code regarding foreign currency gain or loss, generally as described below. Each holder agrees, by purchasing a Note, to treat it consistently with this approach, and this discussion generally assumes that the Notes will be so treated. However, because the U.S. federal income tax treatment of the Notes is not free from doubt, the Notes may be subject to different treatment, in which case the U.S. federal income tax treatment of owning and disposing of the Notes could differ from the treatment discussed below. Prospective investors of Notes should consult their tax advisors as to the tax consequences to them of the purchase, ownership, and disposition of the Notes, including possible alternative treatments.

### **Tax Treatment of U.S. Holders**

#### *Interest on the Notes*

Cash method U.S. holders that do not elect to accrue interest on the Notes currently should not be required to report interest income on the Notes until receipt at maturity. However, a cash method U.S. holder that does not elect to accrue interest on the Notes currently will be required to defer deductions for any interest paid on indebtedness incurred to purchase or carry the Notes in an amount not in excess of the accrued interest (generally determined as described in the subsequent paragraph) until maturity of the Notes. If a cash method U.S. holder elects to accrue interest on the Notes currently, the election will apply for all short-term obligations acquired by the U.S. holder during the year for which the election is made and thereafter until the Internal Revenue Service (the IRS) consents to revocation of the election.

Accrual method U.S. holders, and cash method U.S. holders that elect to accrue interest on the Notes currently, should include the interest on the Notes in income as discount as it accrues on a straight-line basis or, if the U.S. holder elects, on a constant-yield method based on daily compounding. However, because the amount of interest payable on the Notes is not determinable until their maturity, it is uncertain how a U.S. holder would accrue the interest. Under one approach, a U.S. holder would wait until the maturity of a Note to determine the amount of the interest that should be accrued over the term of the Note, even if the Note matures after the close of the taxable year of purchase. Under another approach, the U.S. holder would accrue income in the taxable year of purchase based on the interest that the holder would receive if the Note matured on the last day of the U.S. holder's taxable year. Under a third approach, the U.S. holder would accrue interest in the taxable year of purchase at the yield at which we would issue a fixed-rate noncontingent debt instrument with terms and conditions similar to those of the Notes (the comparable yield of the Notes). If the interest actually received under either of these last two approaches is less than the accrued amount then, in the taxable year of maturity, the U.S. holder would first reduce its interest

accrual by the difference (but not below zero) and then would claim an ordinary loss for the excess. Prospective purchasers can obtain the comparable yield of the Notes by contacting The Bear Stearns Companies Inc. Bill Bamber: (212) 272-6635. Other approaches may be possible. Prospective investors should consult with their tax advisors regarding the appropriate method of accruing interest on the Notes.

*Sale, Exchange, Disposition or Redemption of the Notes*

Cash method U.S. Holders that do not elect to accrue interest currently will recognize gain or loss on the taxable sale, exchange, disposition, or redemption of a Note in an amount equal to the difference between the amount realized and the U.S. holder's tax basis in the Note, which will generally be the purchase price of the Note. The treatment of the gain or loss is unclear. Under one approach, any gain realized would be ordinary income to the extent of the greater of the interest that had accrued on the Note at the time of its taxable sale, exchange, disposition, or redemption (under one of the methods described in the succeeding paragraph) and the gain attributable to changes in the value of the Basket, and the balance would be treated as short-term capital gain. However, it is possible that all gain would be treated as ordinary income. Under one approach, any loss would be foreign currency loss (treated as an ordinary loss) to the extent attributable to changes in the value of the Basket, and the balance would be treated as short-term capital loss. However, it is possible that no loss would be treated as ordinary loss (and any loss would be treated as a short-term capital loss).

Accrual method U.S. holders, and cash method U.S. holders that elect to accrue interest on their Notes currently, will recognize gain or loss on the taxable sale, exchange, disposition, or redemption of a Note in an amount equal to the difference between the amount realized and the U.S. holder's adjusted tax basis in the Note, which will generally be the purchase price of the Note increased by the amount of accrued interest. The treatment of the gain or loss is unclear. Under one approach, any gain would be foreign currency gain taxable as ordinary income to the extent attributable to changes in the value of the Basket, and thereafter would be treated as short-term capital gain. However, it is possible that all gain would be treated as ordinary income. Under one approach, any loss would be foreign currency loss (treated as an ordinary loss) to the extent attributable to changes in the value of the Basket, and thereafter would be treated as short-term capital loss. Under a second approach, the loss would first reduce the interest accrued for the year, then would be treated as ordinary loss (but not foreign currency loss) to the extent of interest income accrued in the taxable year of purchase, and any excess would be treated as short-term capital loss. However, it is possible that no loss would be treated as ordinary loss (and any loss would be treated as short-term capital loss).

**Tax Treatment of Non-U.S. Holders**

*Taxation of Interest and Disposition of the Notes*

Payments on the Notes to Non-U.S. holders will not be subject to U.S. federal income or withholding tax if the following conditions are satisfied:

the Non-U.S. holder does not actually or constructively own 10% or more of the total combined voting power of all classes of our stock entitled to vote,

the Non-U.S. holder is not a controlled foreign corporation for U.S. federal income tax purposes that is related to us through actual or constructive ownership,

the Non-U.S. holder is not a bank receiving interest on a loan made in the ordinary course of its trade or business,

each Component of the Basket is actively traded within the meaning of section 871(h)(4)(C)(v) of the Code, and

the payments are not effectively connected with a trade or business conducted by the Non-U.S. holder in the United States and either (a) the Non-U.S. holder provides a correct, complete and executed IRS Form

W-8BEN, Form W-8EXP or Form W-8IMY (or successor form) with all of the attachments required by the IRS, or (b) the Non-U.S. holder holds its Note through a qualified intermediary (generally a foreign financial institution or clearing organization or a non-U.S. branch or office of a U.S. financial institution or clearing organization that is a party to a withholding agreement with the IRS) which has provided to us an IRS Form W-8IMY stating that it is a qualified intermediary and has received documentation upon which it can rely to treat the payment as made to a foreign person.

We believe that each Component of the Basket is currently actively traded within the meaning of section 871(h)(4)(C)(v). If any of the above conditions are not satisfied, interest on the Notes will be subject to a 30% withholding tax when paid, unless an income tax treaty reduces or eliminates the tax or the interest is effectively connected with the conduct of a U.S. trade or business and the Non-U.S. holder provides a correct, complete and executed IRS Form W-8ECI. In the latter case, such Non-U.S. holder will be subject to United States federal income tax with respect to all income from the Notes at regular rates applicable to U.S. taxpayers.

In general, gain realized on the sale, exchange or retirement of the Notes by a Non-U.S. holder will not be subject to U.S. federal income tax, unless:

the gain with respect to the Notes is effectively connected with a trade or business conducted by the Non U.S. holder in the United States, or

the Non-U.S. holder is a nonresident alien individual who holds the Notes as a capital asset and is present in the United States for more than 182 days in the taxable year of the sale and certain other conditions are satisfied.

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

#### **Information Reporting and Backup Withholding**

Distributions made on the Notes and proceeds from the sale of Notes to or through certain brokers may be subject to a backup withholding tax on reportable payments unless, in general, the Noteholder complies with certain procedures or notifies us that it is an exempt recipient. Any amounts so withheld from distributions on the Notes generally would be refunded by the IRS or allowed as a credit against the Noteholder's U.S. federal income tax, provided the Noteholder makes a timely filing of an appropriate tax return or refund claim.

Reports will be made to the IRS and to Noteholders that are not excepted from the reporting requirements.

#### **CERTAIN ERISA CONSIDERATIONS**

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

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



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

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

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

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

Certain employee benefit plans, such as governmental plans (as defined in Section 3(32) of ERISA), and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA), are not subject to Section 406 of ERISA or Section 4975 of the Code.

However, such plans may be subject to the provisions of applicable federal, state or local law ( Similar Law ) materially similar to the foregoing provisions of ERISA or the Code. Fiduciaries of such plans should consider applicable Similar Law when investing in the notes. Each fiduciary of such a plan will be deemed to represent that the plan's acquisition and holding of the notes will not result in a non-exempt violation of applicable Similar Law.

## **USE OF PROCEEDS AND HEDGING**

At closing we will transfer the net proceeds from the sale of the Notes to BSIL, for its general corporate purposes. In addition, BSIL, on or before the date of this pricing supplement, will enable us to hedge our anticipated exposure in connection with the Notes by the purchase and sale of exchange-traded and over-the-counter options on, or other derivative or synthetic instruments related to, the Components, cash or forward contract positions in the currencies to which the Components relate, futures contracts on the Components and/or options on such futures contracts. At various times after the initial offering and before the maturity of the Notes, depending on market conditions (including the levels of the Components), in connection with hedging with respect to the Notes, we expect that BSIL will increase or decrease those initial hedging positions using dynamic hedging techniques and may take long or short positions in listed or over-the-counter options contracts on, or other derivative or synthetic instruments related to, the Components, cash or forward contracts in the relevant currencies, futures contracts on the Components and/or options on such future contracts. In addition, BSIL may periodically purchase or otherwise acquire a long or short position in the Notes and may, in our or its discretion, hold or resell such Notes. BSIL may also take positions in other types of appropriate financial instruments that may become available in the future. If BSIL has a long hedge position in the currencies to which the Components relate, or options contracts in, or other derivative or synthetic instruments related to the Components, then BSIL may liquidate a portion of its holdings at

or about the time of the maturity of the Notes. Depending on, among other things, future market conditions, the total amount and the composition of such positions are likely to vary over time. BSIL will not be able to ascertain our profits or losses from any hedging position until such position is closed out and any offsetting position or positions are taken into account. Although we have no reason to believe that such hedging activity will have a material effect on the price of such options, currencies, futures contracts or options on futures contracts or on the Components, we cannot guarantee that BSIL will not affect such prices or Components as a result of its hedging activities. You should also refer to "Use of Proceeds" in the accompanying prospectus.

**SUPPLEMENTAL PLAN OF DISTRIBUTION**

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

Agents	Principal Amount of Notes	
Bear, Stearns & Co. Inc.	\$	3,220,000
Total	\$	3,220,000

The agents intend to initially offer \$3,220,000 of the Notes to the public at the offering price set forth on the cover page of this pricing supplement, and to subsequently resell the remaining face amount of the Notes at prices related to the prevailing market prices at the time of resale. In the future, the agents may repurchase and resell the Notes in market-making transactions, with resales being made at prices related to prevailing market prices at the time of resale or at negotiated prices. We will offer the Notes to Bear Stearns at a discount of 1.00% of the price at which the Notes are offered to the public. Bear Stearns may reallocate a discount to other agents not in excess of 1.00% of the public offering price.

In order to facilitate the offering of the Notes, we may grant the agents a 30-day option from the date of the final pricing supplement, to purchase from us up to an additional \$480,000 of Notes at the public offering price, less the agent's discount, to cover any over-allotments. The agents may over-allot or effect transactions which stabilize or maintain the market price of the Notes at a level higher than that which might otherwise prevail in the open market. Specifically, the agents may over-allot or otherwise create a short position in the Notes for its own account by selling more Notes than have been sold to them by us. If this option is exercised, in whole or in part, subject to certain conditions, the agents will become obligated to purchase from us and we will be obligated to sell to the agents an amount of Notes equal to the amount of the over-allotment exercised. The Agents may elect to cover any such short position by purchasing Notes in the open market.

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

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

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

Bear Stearns may stabilize or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other

broker-dealers participating in the offering are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilization transactions or otherwise. The effect of these transactions may be to stabilize or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales of Notes. No representation is made as to the magnitude or effect of any such stabilization or other transactions. Such stabilizing, if commenced, may be discontinued at any time and in any event shall be discontinued within a limited period. No other party may engage in stabilization.

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

#### LEGAL MATTERS

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

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Filed Pursuant to Rule 424(b)(5)  
Registration No. 333-121744

**PROSPECTUS SUPPLEMENT**  
(To Prospectus Dated February 2, 2005)

**\$12,410,781,162**

## **The Bear Stearns Companies Inc.**

### **Medium-Term Notes, Series B**

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

#### - **Interest**

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

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

#### - **Index Notes**

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

- **Maturity**

The notes will mature in 9 months or more.

- **Ranking**

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

- **Sinking Fund**

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

- **Interest Payment Dates**

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

- **Redemption and Repurchase**

The notes may be subject to:

- redemption, at our option; and
- repayment, at your option.

- **Book-Entry Notes**

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

- **Denominations**

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

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

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

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

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

(2) We will pay a commission to each agent, in the form of a discount, ranging from .125% to .750% of the price to the public of any note, depending on maturity, when that agent places such note. Any agent may agree with us, in respect of the sale of a note, to accept a

commission other than one based on maturity, provided that the maximum commission will not be greater than 8%. We may sell notes to any agent as principal either at a discount or at 100% of their principal amount, for resale at negotiated prices to be determined by that agent at the time of resale. See "Supplemental Plan of Distribution." We have agreed to indemnify each agent against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

(3)

Before deduction of expenses payable by us, estimated at \$700,000.

(4)

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

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**Bear, Stearns & Co. Inc.**

February 2, 2005

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

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

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

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

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## RISK FACTORS

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

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

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

the rate of interest, if any, on your notes;

the complexity and volatility of the index or formula applicable to your notes;

the method of calculating the principal, or any premium, interest or other amounts payable in respect of your notes;

the time remaining to the maturity of your notes;

the total outstanding amount of any particular issuance of notes or of our notes in total;

any redemption or repayment features of your notes;

the amount of any other securities linked to your notes; and

the level, direction and volatility of market interest rates generally.

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

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

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

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

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





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

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

At August 31, 2004:

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

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

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

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

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

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

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

If the applicable pricing supplement specifies that your floating rate notes are subject to a maximum interest rate, the rate of interest that will accrue on the floating rate notes during any interest reset period will never exceed the specified maximum interest rate. Conversely, although the applicable rate of interest will always be greater than zero for floating rate notes, unless a minimum interest rate

is specified in the applicable pricing supplement, we cannot assure you that the interest rate you receive in the future will not decrease.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Currently, there are limited facilities in the United States for currency conversion between US dollars and foreign currencies. In addition, banks do not offer non-US dollar denominated checking or

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

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

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

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

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

**PRICING SUPPLEMENT**

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

## DESCRIPTION OF NOTES

### General

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

interest rate;

index or other formulas on which principal, interest or other amounts payable may be based;

remarketing provisions;

our right to redeem notes;

your right to tender notes you have purchased; and

any other provisions.

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

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

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

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

US dollar-denominated notes will be issued in minimum denominations of \$25,000, increased in multiples of \$1,000. Non-US dollar-denominated notes will be issued in the amount of the specified currency equal to US \$25,000 or any integral multiple of the equivalent of US \$1,000, as determined by reference to the noon buying rate in New York City for cable transfers in that specified currency as

certified for customs purposes by the Federal Reserve Bank of New York for that specified currency on the Business Day before the date of issuance or, if that exchange rate is not available, then on the basis of the most recently available exchange rate for the specified currency. We may specify other authorized denominations in the applicable pricing supplement.

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

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

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

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

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

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

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

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

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

a basket of these securities;

an index or indices of these securities; or

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

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

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

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

### **Possible Principal Protection**

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

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

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

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

### **Interest Rate**

#### **General**

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

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

#### **Fixed Rate Notes**

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

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

### **Floating Rate Notes**

#### *General*

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

the Commercial Paper Rate;

LIBOR;

the Federal Funds Rate;

the Treasury Rate;

the Prime Rate;

the CMT Rate; or

another interest rate formula.

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

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

Calculation Date;