BEAR STEARNS COMPANIES INC
Form 424B5
June 16, 2006

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PRICING SUPPLEMENT
(To Prospectus Dated February 2, 2005 and
and Prospectus Supplement Dated February 16, 2006)

The Bear Stearns Companies Inc.
$350,000 Reverse Convertible Notes
14.5% Coupon, due June 19, 2007
Linked to the Common Stock of D.R. Horton, Inc. (DHI)

Terms used herein are defined in the prospectus supplement. The Notes offered will have the terms described in the prospectus supplement and the prospectus, as supplemented or modified by this pricing supplement. **THE NOTES DO NOT GUARANTEE ANY RETURN OF PRINCIPAL AT MATURITY.**

Reference Asset:	Common stock, par value $0.01 per share, of D.R. Horton, Inc. (traded on the New York Stock Exchange ("NYSE") under the symbol "DHI").
Principal amount:	$350,000
Pricing Date:	June 14, 2006
Original Issue Date:	June 19, 2006
Calculation Date:	June 14, 2007, subject to postponement in the event of certain Market Disruption Events.
Maturity Date:	June 19, 2007
Coupon rate:	14.5% per annum, paid quarterly in arrears and calculated on the basis of a 360 day year of 12 equal 30-day months.
Interest Payment Dates:	On the 19th day of each September, December, March and June until maturity, commencing on September 19, 2006.
Initial Level:	$23.67, the Closing Price of the Reference Asset on the Pricing Date.
Final Level:	The Closing Price of the Reference Asset on the Calculation Date.
Contingent Protection Level:	80% of the Initial Level.
Contingent Protection Price:	$18.94, equal to the product of the Contingent Protection Level and the Initial Level.
Payment at maturity:	We will pay you 100% of the principal amount of your Note if *either* of the following is true: (i) the Trading Level of the Reference Asset never equals or falls below the Contingent Protection Level on any day from the Pricing Date to and including the Calculation Date; *or* (ii) the Final Level of the Reference Asset is equal to or greater than the Initial Level of the Reference Asset. However, if *both* of the following are true, the amount of principal you receive at maturity will be reduced by the percentage decrease in the Reference Asset: (i) the Trading Level of the Reference Asset ever equals or falls below the Contingent Protection Level on any day from the Pricing Date to and including the Calculation

	Date; *and* (ii) the Final Level of the Reference Asset is less than the Initial Level of the Reference Asset. In that event, we, at our option, will either: (i) physically deliver to you an amount of the Reference Asset equal to the Exchange Ratio plus the Fractional Share Cash Amount (which means that you will receive shares with a market value that is less than the full principal amount of your Notes); or (ii) pay you a cash amount equal to the principal amount you invested reduced by the percentage decrease in the Reference Asset. It is our intent to physically deliver the Reference Asset when applicable, but we reserve the right to settle the Note in cash.
Exchange Ratio:	42; *i.e.*, $1,000 divided by the Initial Level.
Fractional Share Cash Amount:	An amount in cash per Note equal to the Final Level multiplied by the difference between (x) $1,000 divided by the Initial Level (rounded to the nearest three decimal places), and (y) the Exchange Ratio.
CUSIP:	073902KM9
Listing:	The Notes will not be listed on any U.S. securities exchange or quotation system.

INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. YOU SHOULD REFER TO "RISK FACTORS" BEGINNING ON PAGE PS-4 BELOW.

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%	$ 350,000
Agent's discount	0.75%	$ 2,625
Proceeds, before expenses, to us	99.25%	$ 347,375

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 $52,000 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 Original Issue Date, against payment in immediately available funds. The distribution of the Notes will conform to the requirements set forth in Rule 2720 of the National Association of Securities Dealers, Inc. Conduct Rules.

Bear, Stearns & Co. Inc.

June 14, 2006

WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement (including a prospectus, as supplemented by a prospectus supplement) with the SEC, for the offering to which this pricing supplement relates. Before you invest, you should read the prospectus and prospectus supplement and any other documents relating to this offering that we have filed with the SEC for more complete information about us and this offering. You should carefully consider, among other things, the matters set forth in "Risk Factors" in the pricing supplement, as the Notes involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisers before you invest in the Notes. You may get these documents without cost by visiting EDGAR on the SEC web site at www.sec.gov. Alternatively, the Agent will arrange to send you the prospectus and the prospectus supplement if you so request by calling toll-free 866-803-9204.

You may access these documents on the SEC web site at www.sec.gov as follows:

Prospectus Supplement, dated February 16, 2006, and Prospectus, dated February 2, 2005:
http://www.sec.gov/Archives/edgar/data/777001/000104746906002070/a2167609z424b2.htm

RETURN ON THE NOTES

The Notes are not principal protected and you may lose some or all of your principal.

Payment at Maturity

We will pay you 100% of the principal amount of your Notes, in cash, at maturity if *either* of the following is true: (i) the Trading Level of the Reference Asset never equals or falls below the Contingent Protection Level on any day from the Pricing Date to and including the Calculation Date; or (ii) the Final Level of the Reference Asset is equal to or greater than the Initial Level of the Reference Asset.

However, if *both* of the following are true, the amount of principal you receive at maturity will be reduced by the percentage decrease in the Reference Asset: (i) the Trading Level of the Reference Asset ever equals or falls below the Contingent Protection Level on any day from the Pricing Date to and including the Calculation Date; *and* (ii) the Final Level of the Reference Asset is less than the Initial Level of the Reference Asset.

In that event, we, at our option, will either: (i) physically deliver to you an amount of the Reference Asset equal to the Exchange Ratio plus the Fractional Share Cash Amount (which means that you will receive shares with a market value that is less than the full principal amount of your Notes); or (ii) pay you a cash amount equal to the principal amount you invested reduced by the percentage decrease in the Reference Asset. It is our intent to physically deliver the Reference Asset when applicable, but we reserve the right to settle the Note in cash.

We will (i) provide written notice to the Trustee and to the Depositary, on or prior to the Business Day immediately prior to the Maturity Date of the amount of cash or number of shares of the Reference Asset (and cash in respect of coupon payments and cash in respect of any fractional shares of the Reference Asset), as applicable, to be delivered, and (ii) deliver such cash or shares of the Reference Asset (and cash in respect of coupon payments and cash in respect of any fractional shares of the Reference Asset), if applicable, to the Trustee for delivery to you. The Calculation Agent shall determine the Exchange Ratio.

Interest

The interest rate, if any, is designated on the cover of this pricing supplement. The interest paid will include interest accrued from the Original Issue Date up to, but excluding, the relevant Interest Payment Date or Maturity Date. 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. However, interest payable on the Maturity Date will be payable to the person to whom principal is payable. If the Interest Payment Date is also a day on which principal is due, the interest payable will include interest accrued to, but excluding, the stated Maturity Date.

RISK FACTORS

You will be subject to significant 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.

The following highlights some, but not all, of the risk considerations relevant to investing in the Notes. **The following must be read in conjunction with the sections "Risk Factors" and "Risk Factors Additional Risks Relating to Notes with an Equity Security or Equity Index as the Reference Asset," beginning on pages S-5 and S-12, respectively, in the Prospectus Supplement.**

Suitability of Note for Investment A person should reach a decision to invest in the Notes after carefully considering, with his or her advisors, the suitability of the Notes in light of his or her investment objectives and the information set out in the Pricing Supplement. Neither the Issuer nor any dealer participating in the offering makes any recommendation as to the suitability of the Notes for investment.

Not Principal Protected The Notes are not principal protected. If both of the following are true, the amount of principal you receive at maturity will be reduced by the percentage decrease in the Reference Asset: (i) the Trading Level of the Reference Asset ever equals or falls below the Contingent Protection Level on any day from the Pricing Date to and including the Calculation Date; *and* (ii) the Final Level of the Reference Asset is less than the Initial Level of the Reference Asset. In that event, we, at our option, will either: (i) physically deliver to you an amount of the Reference Asset equal to the Exchange Ratio plus the Fractional Share Cash Amount (which means that you will receive shares with a market value that is less than the full principal amount of your Notes); or (ii) pay you a cash amount equal to the principal amount you invested reduced by the percentage decrease in the Reference Asset.

Return Limited to Coupon Your return is limited to the principal amount you invested plus the coupon payments. You will not participate in any appreciation in the value of the Reference Asset.

No Secondary Market Because the Notes will not be listed on any securities exchange, a secondary trading market is not expected to develop, and, if such a market were to develop, it may not be liquid. Bear, Stearns & Co. Inc. intends under ordinary market conditions to indicate prices for the Notes on request. However, there can be no guarantee that bids for outstanding Notes will be made in the future; nor can the prices of those bids be predicted.

No Interest, Dividend or Other Payments You will not receive any interest or dividend payments or other distributions on the stock comprising the Reference Asset; nor will such payments be included in the calculation of the Cash Settlement Value you will receive at maturity.

Taxes We intend to treat each Note as a put option written by you in respect of the Reference Asset and a deposit with us of cash in an amount equal to the issue price of the Note to secure your potential obligation under the put option, and we intend to treat the deposit as a short-term obligation for U.S. federal income tax purposes. Pursuant to the terms of the Notes, you agree to treat the Notes in accordance with this characterization for all U.S. federal income tax purposes. However, because 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 as those of the Notes, other characterizations and treatments are possible. See "Certain U.S. Federal Income Tax Considerations" below.

The Notes may be Affected by Certain Corporate Events and you will have Limited Antidilution Protection Following certain corporate events relating to the underlying Reference Asset (where the underlying company is not the surviving entity), you will receive at maturity, cash or a number of shares of the common stock of a successor corporation to the underlying company, based on the Closing Price of such successor's common stock. The Calculation Agent for the Notes will adjust the amount payable at maturity by adjusting the Initial Level of the Reference Asset, Contingent Protection Level, Contingent Protection Price and Exchange Ratio for certain events affecting the Reference Asset, such as stock splits and stock dividends and certain other corporate events involving an underlying company. However, the Calculation Agent is not required to make an adjustment for every corporate event that can affect the Reference Asset. If an event occurs that is perceived by the market to dilute the Reference Asset but that does not require the Calculation Agent to adjust the amount of the Reference Asset payable at maturity, the market value of the Notes and the amount payable at maturity may be materially and adversely affected.

ILLUSTRATIVE EXAMPLES

The following are illustrative examples demonstrating the hypothetical amount payable at maturity based on the assumptions outlined below. These examples do not purport to be representative of every possible scenario concerning increases or decreases in the Reference Asset or of the movements that are likely to occur with respect to the relevant Reference Asset. You should not construe these examples or the data included in tables as an indication of the expected performance of the Notes. Some amounts are rounded and actual returns may be different.

Assumptions:

Investor purchases $1,000 principal amount of Notes on the Pricing Date at the initial offering price of 100% and holds the Notes to maturity. No Market Disruption Events or Events of Default occur during the term of the Notes.

Initial Level: $23.67

Contingent Protection Level: 80%

Contingent Protection Price: $18.94 ($23.67 × 80%)

Exchange Ratio: 42 ($1,000/$23.67)

Coupon: 14.5% per annum, paid quarterly ($36.25 per quarter) in arrears.

The reinvestment rate on any interest payments made during the term of the Notes is assumed to be 0%. The 1-year total return on a direct investment in the Reference Asset is calculated below prior to the deduction of any brokerage fees or charges. Both a positive reinvestment rate, or if any brokerage fees or charges were incurred, would increase the total return on the Notes relative to the total return of the Reference Asset.

Maturity: 1 year

Dividend and dividend yield on the Reference Asset: $0.40 and 1.70% per annum.

Example 1 On the Calculation Date, the Final Level of $26.04 is greater than the Initial Level, resulting in a payment at maturity of $1,000, regardless of whether the Contingent Protection Price was ever reached or breached, plus four interest payments of $36.25 each, for payments totaling $1,145.00. If you had invested directly in the Reference Asset for the same one-year period, you would have received total cash payments of $1,100.52 (number of shares of the Reference Asset multiplied by the Final Level, plus the dividend payments), assuming liquidation of shares at the Final Level. You would have earned a 14.50% return with an investment in the Notes and a 10.05% return with a direct investment in the Reference Asset.

Example 2 On the Calculation Date, the Final Level of $21.30 is below the Initial Level, but the Trading Level never equaled or fell below the Contingent Protection Price. As discussed in example 1 above, an investor would receive total payments of $1,145.00, earning a 14.50% return over the term of the Notes. A direct investment in the Reference Asset during that same one-year time period would have generated a return of $900.27 (number of shares of the Reference Asset multiplied by the Final Level, plus the dividend payments), assuming liquidation of shares at the Final Level. You would have earned a 14.50% return with an investment in the Notes and incurred a loss of 9.97% with a direct investment in the Reference Asset.

Example 3 On the Calculation Date, the Final Level of $13.02 is below the Initial Level and also is below the Contingent Protection Price. At our election, an investor would receive a number of shares equal to the Exchange Ratio, plus the Fractional Share Cash Amount plus the four interest payments of $36.25, which is 42 shares (worth $13.02 each) plus $3.22 (the Fractional Share Cash Amount) plus $145.00 (four interest payments of $36.25 each). The cash equivalent equals $695.06. If you had invested directly in the Reference Asset for the same one-year period, you would have received total cash payments of $550.46 (number of shares of the Reference Asset multiplied by the Final Level, plus the dividend payments), assuming liquidation of shares at the Final Level. An investment in the Notes would have resulted in a loss of 30.49%, while a direct investment in the Reference Asset would have resulted in a loss of 44.95%.

Table of Hypothetical Cash Settlement Values

Assumes the Trading Level *Never* Equals or Falls Below the Contingent Protection Price Before the Calculation Date

		Investment in the Notes			Direct Investment in the Reference Asset		
Initial Level	Hypothetical Final Level	Cash Settlement Value	Total Coupon Payments (in % Terms)	1-Year Total Return	Percentage Change in Value of Reference Asset	Dividend Yield	1-Year Total Return
23.67	47.16	$ 1,000.00	14.50%	14.50%	99.24%	0.00%	99.24%
23.67	37.73	$ 1,000.00	14.50%	14.50%	59.39%	0.00%	59.39%
23.67	31.44	$ 1,000.00	14.50%	14.50%	32.83%	0.00%	32.83%
23.67	27.34	$ 1,000.00	14.50%	14.50%	15.50%	0.00%	15.50%
23.67	24.85	$ 1,000.00	14.50%	14.50%	5.00%	0.00%	5.00%
23.67	23.67	$ 1,000.00	14.50%	14.50%	0.00%	0.00%	0.00%
23.67	22.49	$ 1,000.00	14.50%	14.50%	-5.00%	0.00%	-5.00%
23.67	20.24	$ 1,000.00	14.50%	14.50%	-14.50%	0.00%	-14.50%

Table of Hypothetical Cash Settlement Values

Assumes the Trading Level *Does* Equal or Fall Below the Contingent Protection Price Before the Calculation Date

		Investment in the Notes			Direct Investment in the Reference Asset		
Initial Level	Hypothetical Final Level	Cash Settlement Value	Total Coupon Payments (in % Terms)	1-Year Total Return	Percentage Change in Value of Reference Asset	Dividend Yield	1-Year Total Return
23.67	47.16	$ 1,000.00	14.50%	14.50%	99.24%	0.00%	99.24%
23.67	37.73	$ 1,000.00	14.50%	14.50%	59.39%	0.00%	59.39%
23.67	31.44	$ 1,000.00	14.50%	14.50%	32.83%	0.00%	32.83%
23.67	27.34	$ 1,000.00	14.50%	14.50%	15.50%	0.00%	15.50%
23.67	24.85	$ 1,000.00	14.50%	14.50%	5.00%	0.00%	5.00%
23.67	23.67	$ 1,000.00	14.50%	14.50%	0.00%	0.00%	0.00%
23.67	22.49	$ 950.00	14.50%	9.50%	-5.00%	0.00%	-5.00%
23.67	20.24	$ 855.00	14.50%	0.00%	-14.50%	0.00%	-14.50%
23.67	17.20	$ 726.75	14.50%	-12.83%	-27.33%	0.00%	-27.33%
23.67	13.76	$ 581.40	14.50%	-27.36%	-41.86%	0.00%	-41.86%
23.67	10.32	$ 436.05	14.50%	-41.90%	-56.40%	0.00%	-56.40%
23.67	7.22	$ 305.24	14.50%	-54.98%	-69.48%	0.00%	-69.48%
23.67	4.70	$ 198.40	14.50%	-65.66%	-80.16%	0.00%	-80.16%
23.67	2.82	$ 119.04	14.50%	-73.60%	-88.10%	0.00%	-88.10%
23.67	1.55	$ 65.47	14.50%	-78.95%	-93.45%	0.00%	-93.45%
23.67	0.77	$ 32.74	14.50%	-82.23%	-96.73%	0.00%	-96.73%
23.67	0.35	$ 14.73	14.50%	-84.03%	-98.53%	0.00%	-98.53%

REFERENCE ASSET

Additional Information Regarding the Reference Asset

We urge you to read the section "Sponsors or Issuers and Reference Asset" on page S-20 in the Prospectus Supplement. Companies with securities registered under the Exchange Act are required to file periodically certain financial and other information specified by the SEC. Information provided to or filed with the SEC electronically can be accessed through a website maintained by the SEC. The address of the SEC's website is http://www.sec.gov. Information provided to or filed with the SEC pursuant to the Exchange Act by a company issuing a Reference Asset can be located by reference to the SEC file number provided below.

The summary information below regarding the company issuing the stock comprising the Reference Asset comes from the issuer's SEC filings and has not been independently verified by us. We do not make any representations as to the accuracy or completeness of such information or of any filings made by the issuer of the Reference Asset with the SEC. **Investors are urged to refer to the SEC filings made by the issuer and to other publicly available information (such as the issuer's annual report) to obtain an understanding of the issuer's business and financial prospects. The summary information contained below is not designed to be, and should not be interpreted as, an effort to present information regarding the financial prospects of the issuer or any trends, events or other factors that may have a positive or negative influence on those prospects or as an endorsement of the issuer.**

D.R. Horton, Inc. ("DHI")

D.R. Horton, Inc.'s ("D.R. Horton") common stock, par value $0.01 per share, trades on the NYSE under the symbol "DHI." D.R. Horton is a homebuilding company in the United States. D.R. Horton constructs and sells single-family homes through operating divisions in 25 states and 74 metropolitan markets of the United States, primarily under the name of D.R. Horton, America's Builder. D.R. Horton's financial reporting segments consist of homebuilding and financial services. In addition to building traditional single-family detached homes, the homebuilding segment also builds attached homes, such as town homes, duplexes, triplexes and condominiums (including some mid-rise buildings), which share common walls and roofs. The financial services segment generates its revenues from originating and selling mortgages and collecting fees for title insurance and closing services. **D.R. Horton's SEC file number is 001-14122.**

Historical Performance of the Reference Asset

The following table sets forth on a per share basis the high and low closing prices during the applicable quarter, as well as end-of-quarter closing prices, for the Reference Asset during the periods indicated below. We obtained the information in the tables below from Bloomberg Financial Markets, without independent verification.

Quarter Ending	Quarterly High	Quarterly Low	Quarterly Close	Quarter Ending	Quarterly High	Quarterly Low	Quarterly Close
March 30, 2001	7.66	5.65	6.67	December 31, 2003	22.07	15.82	21.04
June 29, 2001	8.20	6.09	7.18	March 31, 2004	26.70	18.00	25.92
September 28, 2001	9.49	5.54	6.61	June 30, 2004	26.30	18.07	20.84
December 31, 2001	10.64	6.30	10.31	September 30, 2004	25.26	18.17	24.36
March 29, 2002	13.91	9.45	11.99	December 31, 2004	30.90	20.07	29.74
June 28, 2002	13.15	10.45	12.45	March 31, 2005	34.09	26.99	28.83
September 30, 2002	12.84	8.78	8.93	June 30, 2005	38.77	26.46	37.20
December 31, 2002	10.08	7.69	8.35	September 30, 2005	42.35	33.04	35.90
March 31, 2003	9.84	8.18	9.27	December 31, 2005	38.33	28.61	35.52
June 30, 2003	15.64	9.15	13.61	March 31, 2006	41.41	30.70	33.11
September 30, 2003	16.15	12.99	15.88	April 1, 2006 to May 12, 2006 only	35.15	28.53	29.05

Certain U.S. Federal Income Tax Considerations

The following discussion supercedes the discussion set forth in "Certain U.S. Federal Income Tax Considerations" in the Prospectus Supplement, but is subject to the limitations and qualifications set forth therein. In the opinion of Cadwalader, Wickersham & Taft LLP, special U.S. tax counsel to us, the following discussion summarizes certain of the material U.S. federal income tax consequences of the purchase, beneficial ownership, and disposition of the Notes.

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 as those of the Notes. Under one approach, the Notes should be treated for federal income tax purposes as a put option written by you (the "Put Option") that permits us to sell the Reference Asset to you at the maturity date for an amount equal to the principal amount of the Note, or "cash settle" the Put Option (i.e., require you to pay us at the maturity date the difference between the principal amount of the Note and the value of the Reference Asset at such time), and a deposit with us of cash in an amount equal to the "issue price" of your Notes (the "Deposit") to secure your potential obligation under the Put Option and which is treated as a short term debt instrument. Pursuant to the terms of the Notes, you agree to treat the Notes consistent with this approach for all U.S. federal income tax purposes. The balance of this summary assumes that the Notes are so treated. Each U.S. Holder should see "Certain U.S. Federal Income Tax Considerations Alternative Characterizations and Treatments" in the Prospectus Supplement.

A portion of any stated interest payment on a Note equal to 9%, per annum should be treated as put premium paid by us in respect of the Put Option (the "Put Premium"). The Put Premium should not be taxable to a U.S. Holder upon its receipt. If the Put Option expires unexercised (i.e., the payment at the maturity date is equal to the full principal amount of the Notes), the U.S. Holder should recognize the aggregate Put Premium received as short-term capital gain at such time.

If we exercise the Put Option and sell Reference Assets to a U.S. Holder, the U.S. Holder should not recognize any gain or loss (other than with respect to cash received in lieu of fractional shares, as described below) in respect of the Put Option. In this event, the U.S. Holder should have an adjusted tax basis in all Reference Assets received (including for this purpose any fractional shares) equal to the principal amount of the Note less the total Put Premium received. The U.S. Holder's holding period for any Reference Assets received should start on the day after the delivery of the Reference Assets. The U.S. Holder should generally recognize a short-term capital gain or loss with respect to cash received in lieu of fractional shares in an amount equal to the difference between the amount of such cash received and the U.S. Holder's basis in the fractional shares, which is equal to the U.S. Holder's basis in all of the Reference Assets (including the fractional shares), times a fraction, the numerator of which is the fractional shares and the denominator of which is all of the Reference Assets (including fractional shares).

U.S. Holders should consult the offering documents for the Reference Asset for the U.S. federal income tax treatment of acquiring, owning and selling the Reference Asset.

If we elect to cash settle the Put Option, a U.S. Holder should generally recognize a short-term capital gain or loss equal to (i) the amount of cash received on the Note less (ii) the principal amount of the Note, less the total Put Premium received.

U.S. Holders that report income for federal income tax purposes on the accrual method and certain other U.S. Holders are required to include in income original issue discount (or if the U.S. Holder elects, acquisition discount, in lieu of original issue discount) on the Deposit as it accrues.

The aggregate original issue discount that will be required to be accrued will equal the difference between all payments on the Note (other than amounts representing Put Premium) over the issue price of the Note (which is also the issue price of the Deposit), reduced to the extent that the U.S. Holder purchases a Note for more than its issue price. The issue price of a Note generally is the first price at which a substantial amount of the offering of the Notes is sold to the public for money (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). For purposes of this disclosure, we assume that the issue price of the Notes will equal 99% of the principal amount of the Notes. You may obtain the issue price of the Note by contacting The Bear Stearns Companies Inc., Bill Bamber at (212) 272-6635. A U.S. Holder that accrues original issue discount on the Note will not be taxable again upon receipt of the portion of the yield on the Note that represents a payment of accrued original issue discount.

The aggregate amount of acquisition discount that will be required to be accrued by a U.S. Holder (if a U.S. Holder elects to accrue acquisition discount in lieu of original issue discount) will equal the difference between all payments under the Note (other than amounts representing Put Premium) over the U.S. Holder's purchase price of the Deposit. A U.S. Holder that elects to accrue acquisition discount will not be taxable again upon receipt of the portion of the yield on the Note that represents a payment of accrued acquisition discount.

Original issue discount and acquisition discount on the Deposit is accrued on a straight-line basis, unless an irrevocable election is made with respect to the Deposit to accrue the original issue discount or acquisition discount under the constant yield method based on daily compounding.

In general, an individual or other cash method U.S. Holder of a Note is not required to accrue original issue discount or acquisition discount with respect to the Deposit for federal income tax purposes, unless the U.S. Holder elects to do so. If a U.S. Holder does not elect to accrue original issue discount or acquisition discount with respect to the Deposit, the U.S. Holder will be taxable on the portion of the yield on the Deposit in the taxable year it is received. An election by a cash basis U.S. Holder to accrue original issue discount on the Deposit, as well as the election to accrue acquisition discount instead of original issue discount with respect to a Deposit, applies to all short-term debt instruments acquired by the U.S. Holder during the first taxable year for which the election is made, and all subsequent taxable years of the U.S. Holder, unless the IRS consents to a revocation. Non-electing U.S. Holders that are not required to include currently original issue discount or acquisition discount with respect to a Deposit will be required to defer deductions for any interest paid on indebtedness incurred or continued to purchase or carry the Deposit in an amount not exceeding the untaxed portion of the accrued original issue discount or acquisition discount (determined on a ratable basis, unless the U.S. Holder elects to use a constant yield basis) on the Deposit, until the original issue discount or acquisition discount is recognized.

Upon the exercise or cash settlement of a Put Option, a U.S. Holder that is not required and does not elect to include original issue discount or acquisition discount in income currently will recognize ordinary income equal to the untaxed portion of the original issue discount.

Upon a sale, redemption, or other taxable disposition of a Note for cash, a U.S. Holder should allocate the cash received between the Deposit and the Put Option on the basis of their respective values on the date of sale. The U.S. Holder should generally recognize gain or loss with respect to the Deposit in an amount equal to the difference between the amount of the sales proceeds allocable to the Deposit and the U.S. Holder's adjusted tax basis in the Deposit (which will generally equal the initial purchase price of your Note increased by any accrued acquisition discount or original issue discount previously included in income on the Deposit, and reduced by the portion of your yield on the Note that does not represent Put Premium). Such gain or loss should be capital gain or loss and should be long-term capital gain or loss if a U.S. Holder is treated as having held the Deposit for more than one year at the time of such disposition. However, in the case of a U.S. Holder that is not required and does not elect to include original issue discount or acquisition discount in income currently, any gain realized on the sale, exchange or other taxable disposition of the Deposit (i.e., by selling a Note) will be treated as ordinary income to the extent of the untaxed portion of original issue discount that had accrued on a straight-line basis (or, if elected, under the constant yield method based on daily compounding) through the date of sale, exchange or other disposition. If the Put Option has a positive value on the date of a sale of a Note, the U.S. Holder should recognize short-term capital gain equal to the portion of the sale proceeds allocable to the Put Option plus any previously received Put Premium. If the Put Option has a negative value on the date of sale, the U.S. Holder should be treated as having paid the buyer an amount equal to the negative value in order to assume the U.S. Holder's rights and obligations under the Put Option. In such a case, the U.S. Holder should recognize a short-term capital gain or loss in an amount equal to the difference between the total Put Premium previously received and the amount of the payment deemed made by the U.S. Holder with respect to the assumption of the Put Option. The amount of the deemed payment will be added to the sales price allocated to the Deposit in determining the gain or loss in respect of the Deposit. The deductibility of capital losses by U.S. Holders is subject to limitations.

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

ERISA CONSIDERATIONS

You should carefully consider, among other things, the matters set forth in "ERISA Considerations" in the Prospectus.

PROSPECTUS SUPPLEMENT
(To Prospectus Dated February 2, 2005)

$12,410,781,162
The Bear Stearns Companies Inc.
Prospectus Supplement - Reverse Convertible All Asset Classes
Medium-Term Notes, Series B

We may offer from time to time Notes that may pay a rate of interest during the term of the Notes and at maturity will pay an amount in U.S. dollars or, in the case of Notes relating to equity securities, entail physical delivery of shares of stock of an issuer not affiliated with us or payment of an amount in U.S. dollars. The specific terms of any such Notes that we offer will be included in the applicable pricing supplement. Set forth under Definitions are definitions of the material terms used in this prospectus supplement and in the applicable pricing supplement. If the terms described in the applicable pricing supplement are inconsistent with those described herein or in the accompanying prospectus, the terms described in the applicable pricing supplement will supersede. The Notes will have the following general terms:

No Principal Protection

As described herein, the amount of the principal payment at maturity will depend on two variables: (i) the Trading Level of the Reference Asset during the term of the Notes; and (ii) the relationship between the Final Level of the Reference Asset and the Initial Level of the Reference Asset.

The principal amount of your investment is not protected and you may receive less, and possibly significantly less, than the amount you invested.

Interest Rate and Interest Payments

The Notes may have a fixed or floating interest rate or may pay no interest, in each case as specified in the applicable pricing supplement. Any interest on the Notes will be paid on the dates set forth in the applicable pricing supplement.

Ranking

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

Reference Asset

The principal, interest or any other amounts payable on the Notes may be based on price movements in or other events relating to one or more securities, commodities, foreign currencies, interest rates, indices or baskets comprised of any of those instruments or measures, or other measures or instruments, including the occurrence or nonoccurrence of any event or circumstance.

Maturity

The applicable pricing supplement will specify the Maturity Date.

Denominations

The Notes will be issued in minimum denominations of $1,000 (or the specified currency equivalent), increased in multiples of $1,000 (or the specified currency equivalent); provided, however, that the minimum purchase for any purchaser domiciled in a Member State of the European Union shall be $100,000.

Principal Payment at Maturity

We will pay you 100% of the principal amount of your Notes, in cash, at maturity if either of the following is true: (i) the Trading Level of the Reference Asset never equals or falls below the Contingent Protection Level during the term of the Notes; or (ii) the Final Level of the

Reference Asset is equal to or greater than the Initial Level of the Reference Asset.

However, if both of the following are true, the amount of principal you receive at maturity will be reduced by the percentage decrease in the Reference Asset: (i) the Trading Level of the Reference Asset ever equals or falls below the Contingent Protection Level during the term of the Notes; and (ii) the Final Level of the Reference Asset is less than the Initial Level of the Reference Asset. In that event, the manner in which the Notes will be settled on the Maturity Date will depend on whether the Reference Asset is an equity security.

If the Reference Asset is an equity security, we, at our option, will either: (i) physically deliver to you an amount of the Reference Asset equal to the Exchange Ratio plus the Fractional Share Cash Amount (which means that you will receive shares with a market value that is less than the full principal amount of your Notes); or (ii) pay you a cash amount equal to the principal amount you invested reduced by the percentage decrease in the Reference Asset.

If the Reference Asset is not an equity security, we will pay you an amount in cash equal to the principal amount you invested reduced by the percentage decrease in the Reference Asset.

INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. SEE RISK FACTORS BEGINNING ON PAGE S-5.

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.

The Agents may solicit offers to purchase the Notes as our agent. We may sell Notes to the Agent as principal at prices to be agreed upon at the time of sale. The Agents may resell any Notes they purchase as principal at prevailing market prices, or at other prices, as the Agents determine. The Agents may use this prospectus supplement and the accompanying prospectus in connection with offers and sales of the securities in market-making transactions.

Bear, Stearns & Co. Inc.

February 16, 2006

Offers and sales of the Notes are subject to restrictions in certain jurisdictions. The distribution of this prospectus supplement and the accompanying 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 prospectus supplement and accompanying prospectus or any Notes must inform themselves about and observe any applicable restrictions on the distribution of this prospectus supplement and the accompanying prospectus and the offer and sale of the Notes.

SUMMARY

The following summary describes the Notes in general terms only. You should read the summary together with the more detailed information contained in this prospectus supplement, in the accompanying prospectus and in the applicable pricing supplement. We also may prepare free writing prospectuses that describe particular issuances of Notes. Any free writing prospectus also should be read in connection with this prospectus supplement and the accompanying prospectus. For purposes of this prospectus supplement, any references to an applicable pricing supplement also may refer to a free writing prospectus, unless the context otherwise requires.

Are the Notes principal protected?

The Notes are not principal protected and you may lose some or all of your principal. The amount of the principal payment at maturity will depend on two variables: (i) the Trading Level of the Reference Asset during the term of the Notes; and (ii) the relationship between the Final Level of the Reference Asset and the Initial Level of the Reference Asset.

You will receive 100% of the principal amount of your Notes, in cash, at maturity if either of the following is true: (i) the Trading Level of the Reference Asset never equals or falls below the Contingent Protection Level from the period beginning with the Original Issue Date up to and including the Calculation Date; or (ii) the Final Level of the Reference Asset is equal to or greater than the Initial Level of the Reference Asset.

However, the Notes will not be principal protected if both of the following are true: (i) the Trading Level of the Reference Asset ever equals or falls below the Contingent Protection Level from the period beginning with the Original Issue Date up to and including the Calculation Date, and (ii) the Final Level of the Reference Asset is less than the Initial Level of the Reference Asset. If both of those conditions are true, the principal amount of your investment will not be protected and you will receive less, and possibly significantly less, than the amount you invested.

What payments will be received at maturity?

We will pay you 100% of the principal amount of your Notes, in cash, at maturity if either of the following is true: (i) the Trading Level of the Reference Asset never equals or falls below the Contingent Protection Level from the period beginning with the Original Issue Date up to and including the Calculation Date; or (ii) the Final Level of the Reference Asset is equal to or greater than the Initial Level of the Reference Asset.

However, if both of the following are true, the amount of principal you receive at maturity will be reduced by the percentage decrease in the Reference Asset: (i) the Trading Level of the Reference Asset ever equals or falls below the Contingent Protection Level from the period beginning with the Original Issue Date up to and including the Calculation Date; and (ii) the Final Level of the Reference Asset is less than the Initial Level of the Reference Asset. In that event, the manner in which the Notes will be settled on the Maturity Date will depend on whether the Reference Asset is an equity security.

If the Reference Asset is an equity security, we, at our option, will either: (i) physically deliver to you an amount of the Reference Asset equal to the Exchange Ratio plus the Fractional Share Cash Amount (which means that you will receive shares with a market value that is less than the full principal amount of your Notes); or (ii) pay you a cash amount equal to the principal amount you invested reduced by the percentage decrease in the Reference Asset.

If the Reference Asset is not an equity security, we will pay you an amount in cash equal to the principal amount you invested reduced by the percentage decrease in the Reference Asset.

We will (i) provide written notice to the Trustee and to the Depositary, on or prior to the Business Day immediately prior to the Maturity Date of the amount of cash or number of shares of the Reference Asset (and cash in respect of coupon and cash in respect of any fractional shares of the Reference Asset), as applicable, to be delivered, and (ii) deliver such cash or shares of the Reference Asset (and cash in respect of coupon and cash in respect of any fractional shares of the Reference Asset), if applicable, to the Trustee for delivery to you. The Calculation Agent shall determine the Exchange Ratio.

What is the coupon rate and will interest payment be received during the term of the Notes?

The interest rate, if any, on the Notes will be either fixed or floating, as designated by the applicable pricing supplement. No interest may be payable with respect to certain Notes.

The interest paid, if any, will include interest accrued from the Original Issue Date to, but excluding, the relevant Interest Payment Date or Maturity Date. 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. However, interest payable on the Maturity Date will be payable to the person to whom principal is payable. If the Interest Payment Date is also a day on which principal is due, the interest payable will include interest accrued to, but excluding, the stated Maturity Date.

Will the Notes be affected by various corporate events?

Yes. Following certain corporate events relating to the underlying Reference Asset, if that Reference Asset is one or more equity securities, such as a stock-for-stock merger where the underlying company is not the surviving entity, you will receive at maturity, cash or a number of shares of the common stock of a successor corporation to the underlying company, based on the Closing Price of such successor s common stock. The occurrence of such corporate events and the consequent adjustments may materially and adversely affect the value of the Notes. We describe the specific corporate events that can lead to these adjustments in the section Antidilution Adjustments for Equity Securities. You should read this section to understand these and other adjustments that may be made to the Notes.

ILLUSTRATIVE EXAMPLES

Reference Asset Is an Equity Security

The following are illustrative examples demonstrating the hypothetical amount payable at maturity based on the assumptions outlined below. Some amounts are rounded and actual returns may be different.

Assumptions:

Investor purchases $1,000 principal amount of Notes on the Pricing Date at the initial offering price of $1,000 and holds the Notes to maturity. No Market Disruption Events or Events of Default occur during the term of the Notes.

Reference Asset: common stock, par value $0.01, of a company traded on the NYSE.

Initial Level: $27.18

Contingent Protection Level: 80%

Contingent Protection Price: $21.74 ($27.18 x 80%)

Exchange Ratio: 36 ($1,000/$27.18)

Coupon: 9.00% per annum, paid semiannually ($45 per semiannual period) in arrears

The reinvestment rate is assumed to be 0.00%. A positive reinvestment rate would increase the total return on the Notes relative to the total return of the Reference Asset.

Maturity: 1 year

Fractional Share Cash Amount: $21.52

Dividend and dividend yield on the Reference Asset: $0.20 and 0.74% per annum

Example 1 On the Calculation Date, the Final Level of $29.90 is greater than the Initial Level, resulting in a payment at maturity of $1,000, regardless of whether the Contingent Protection Price was ever reached or breached. You would also have received two interest payments of $45, for a total of $1,090. If you had invested directly in the Reference Asset for the same one-year period, you would have received total cash payments of $1,100.27 (number of shares of the Reference Asset multiplied by the Final Level, plus the dividend payments), assuming liquidation of shares at the Final Level. You would have earned a 9.00% return with an investment in the Notes and a 10.03% return with a direct investment in the Reference Asset prior to the deduction of any brokerage fees or charges.

Example 2 On the Calculation Date, the Final Level of $24.46 is below the Initial Level, but the Trading Level never equaled or fell below the Contingent Protection Price. As discussed in example 1 above, an investor would receive total payments of $1,090, earning a 9.00% return over the term of the Notes. A direct investment in the Reference Asset for that same one-year time period would have generated a return of $900.12 (number of shares of the Reference Asset multiplied by the Final Level, plus the dividend payments), assuming liquidation of shares at the Final Level. You would have earned a 9.00% return with an investment in the Notes and incurred a loss of -9.99% with a direct investment in the Reference Asset prior to the deduction of any brokerage fees or charges.

Example 3 On the Calculation Date, the Final Level of $17.67 is below the Initial Level and also is below the Contingent Protection Price. At our election, an investor would receive a number of shares equal to the Exchange Ratio, plus the Fractional Share Cash Amount, plus the two interest payments of $45.00; or, 36 shares plus $111.52. The cash equivalent equals $747.64. If you had invested directly in the Reference Asset for the same one-year period, you would have received total cash payments of $650.31 (number of shares of the Reference Asset multiplied by the Final Level, plus the dividend payments), assuming liquidation of shares at the Final Level. An investment in the Notes would have resulted in a loss of -25.24%, while a direct investment in the Reference Asset would have resulted in a loss of -34.97% prior to the deduction of any brokerage fees or charges.

Reference Asset Is Not an Equity Security

The following are illustrative examples demonstrating the hypothetical amount payable at maturity based on the assumptions outlined below. Some amounts are rounded and actual returns may be different.

Assumptions:

Investor purchases $1,000 principal amount of Notes on the Pricing Date at the initial offering price of $1,000 and holds the Notes to maturity. No Market Disruption Events or Events of Default occur during the term of the Notes.

Reference Asset: U.S. equity index, such as the Dow Jones Industrial Average[SM]

Initial Level: 10,237.18

Contingent Protection Level: 80%

Contingent Protection Price: 8,189.74 (10,237.18 x 80%)

Coupon: 9.00% per annum, paid semiannually ($45 per semiannual period) in arrears

Maturity: 1 year

Because the Reference Asset is an equity index (and not an equity security), regardless of the performance of the Reference Asset, any payment on the Maturity Date will be in cash.

Dividend and dividend yield on the Reference Asset: $0.00 and 0.00% per annum

Example 1 On the Calculation Date, the Final Level of 11,260.90 is greater than the Initial Level, resulting in a payment at maturity of $1,000, regardless of whether the Contingent Protection Price was ever reached or breached. You also would have received two interest payments of $45, for a total of $1,090. With a direct investment in an instrument indexed on a one-for-one basis to the Reference Asset during that same one-year time period, you would have received total cash payments over the term of the Notes of $1,100.00 (the sum of the principal amount, plus the product of the principal amount and the percentage increase in the Reference Asset) upon liquidation of such instrument at the Final Level. You would have earned a return of 9.00% with an investment in the Notes and a return of 10.00% with a direct investment in the Reference Asset prior to the deduction of any brokerage fees or charges.

Example 2 On the Calculation Date, the Final Level of 9,213.46 is below the Initial Level, but the Trading Level never equaled or fell below the Contingent Protection Price. As discussed in example 1 above, an investor would receive total payments of $1,090, earning 9.00% over the term of the Notes. With a direct investment in an instrument indexed on a one-for-one basis to the Reference Asset during that same one-year time period, you would have received total cash payments of $900.00 (the sum of the principal amount plus or minus the product of the principal amount and the percentage decrease in the Reference Asset) upon liquidation of such instrument at the Final Level. You would have earned a return of 9.00% with an investment in the Notes and incurred a loss of -10.00% with a direct investment in the Reference Asset prior to the deduction of any brokerage fees or charges.

Example 3 On the Calculation Date, the Final Level of 6,654.17 is below the Initial Level and is also below the Contingent Protection Price. As discussed in example 1 above, an investor would receive total payments of $1,090, earning 9.00% over the term of the Notes. With a direct investment in an instrument indexed on a one-for-one basis to the Reference Asset during that same one-year time period, you would have received total cash payments of $650.00 (the sum of the principal amount plus or minus the product of the principal amount and the percentage decrease in the Reference Asset) upon liquidation of such instrument at the Final Level. You would have earned a return of 9.00% with an investment in the Notes and incurred a loss of -35.00% with a direct investment in the Reference Asset prior to the deduction of any brokerage fees or charges.

RISK FACTORS

You will be subject to significant 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 advisors, of the suitability of the Notes in light of their particular financial circumstances, the following risk factors and the other information included or incorporated by reference in the applicable pricing supplement, this prospectus supplement and the accompanying prospectus. **Please note that this Risk Factors section has various subcomponents addressing certain additional risk factors relating to specific categories of Reference Assets. For example, certain additional risk factors relating to Reference Assets comprised of one or more equity securities can be found in the section Additional risks relating to Notes with an equity security or equity index as the Reference Asset.** We have no control over a number of matters, including economic, financial, regulatory, geographic, judicial and political events, that are important in determining the existence, magnitude, and longevity of these risks and their influence on the value of, or the payments made on, the Notes. You should not purchase the Notes unless you understand and can bear these investment risks.

RISKS RELATING TO ALL NOTE ISSUANCES.

The Notes are not principal protected and you may lose some or all of your principal.

The principal amount of your investment is not protected and you may receive less, and possibly significantly less, than the amount you invested. The Notes will not be principal protected if both of the following are true: (i) the Trading Level of the Reference Asset ever equals or falls below the Contingent Protection Level; and (ii) the Final Level of the Reference Asset is less than the Initial Level of the Reference Asset. You will receive 100% of your principal at maturity if, and only if, either of the following is true: (i) the Trading Level of the Reference Asset never equals or falls below the Contingent Protection Level during the term of the Notes; or (ii) the Final Level of the Reference Asset is equal to or greater than the Initial Level of the Reference Asset.

You will not participate in any appreciation in the value of the Reference Asset.

You will not participate in any appreciation in the value of the Reference Asset. If the Final Level of the Reference Asset is greater than the Initial Level of the Reference Asset, the sum of any interest payments you receive during the term of the Notes and the principal payment you receive at maturity will not reflect the performance of the Reference Asset. For example, if the Reference Asset has appreciated by 50% on the Calculation Date, you will receive only your principal amount plus any interest payments made during the term of the Notes. In this case, you may earn significantly less by investing in the Notes than you would have earned by investing directly in the Reference Asset.

Your return cannot exceed any coupon payments received over the term of the Notes, regardless of the appreciation in value of the Reference Asset.

If the Final Level of the Reference Asset is equal to or exceeds the Initial Level of the Reference Asset, the amounts you will receive during the term of the Notes and at maturity will equal the sum of the principal amount of the Notes, plus any interest payments made during the term of the Notes. Under no circumstances, regardless of the extent to which the value of the Reference Asset appreciates, will your return exceed the applicable coupon rate, if any.

There may not be any secondary market for your Notes.

Upon issuance, the Notes will not have an established trading market. We cannot assure you that a trading market for the Notes will develop or, if one develops, that it will be maintained. Although we may apply to list certain issuances of Notes on a national securities exchange or the Nasdaq Stock Market, we may not meet the requirements for listing and do not expect to announce, prior to the pricing of the Notes, whether we will meet such requirements. Even if there is a secondary market, it may not provide significant liquidity. While we anticipate that the Agent will act as a market maker for the Notes, the Agent is not required to do so. If the Notes are not listed on any securities exchange and the Agent were to cease acting as a market maker, it is likely that there would be no secondary market for the Notes. You therefore must be willing and able to hold the Notes until maturity.

Price or other movements in the instrument or instruments comprising the Reference Asset are unpredictable.

Price or other movements in the instrument or instruments comprising the Referenced Asset are unpredictable and volatile, and are influenced by complex and interrelated political, economic, financial, regulatory, geographic, judicial and other factors that can affect the markets in which the relevant instrument or instruments are traded and/or the particular instrument or instruments. As a result, it is impossible to predict whether the prices or levels of the instrument or instruments comprising the Reference Asset will rise or fall during the term of the Notes. The price of the instrument or instruments comprising the Reference Asset may decrease to or below the Contingent Protection Level and remain below the Initial Level to maturity so that you will receive at maturity a cash payment (or, in the case of equity securities, shares) worth less than the principal amount of your investment. We cannot guarantee that the price of the instrument or instruments comprising the Reference Asset will stay above the Contingent Protection Level over the life of the Notes or that, if the price of the instrument or instruments comprising the Reference Asset has decreased to or below the Contingent Protection Level, the price of the instrument or instruments comprising the Reference Asset will recover and be at or above the Initial Level on the Calculation Date so that you will receive at maturity an amount at least equal to the principal amount of the Notes.

The historical or pro forma performance of the Reference Asset is not an indication of future performance.

The historical or pro forma performance of the Reference Asset, which may be included in the applicable pricing supplement, should not be taken as an indication of the future performance of the Reference Asset. It is impossible to predict whether the level of the Reference Asset will fall or rise. The Trading Level of the Reference Asset will be influenced by the complex and interrelated economic, financial, regulatory, geographic, judicial, political and other factors that can affect the trading markets on which the instruments or instruments comprising the Reference Asset are traded and/or the level of the Reference Asset itself.

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 Reference Asset 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.

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

If you wish to liquidate your investment in the Notes prior to maturity, your only alternative would be to sell them. At that time, there may be an illiquid market for Notes or no market at all. Even if you were able to sell your Notes, there are many factors outside of our control that may affect their trading value. We believe that the value of your Notes will be affected by the value and volatility of the instrument or instruments comprising the Reference Asset, whether or not the Trading Level of the Reference Asset is greater than or equal to the Initial Level of the Reference Asset, changes in interest rates, the supply of and demand for the Notes and a number of other factors. Some of these factors are interrelated in complex ways; as a result, the effect of any one factor may be offset or magnified by the effect of another factor. The price, if any, at which you will be able to sell your Notes prior to maturity may be substantially less than the amount you originally invested if, at such time, the Trading Level of the Reference Asset is less than, equal to or not sufficiently above the Initial Level of the Reference Asset. 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.

Reference Asset performance. We expect that the value of the Notes prior to maturity will depend substantially on the relationship between the Trading Level of the Reference Asset and the Initial Level of the Reference Asset. If you decide to sell your Notes when the Trading Level exceeds the Initial Level, you may nonetheless receive substantially less than the amount that would be payable at maturity based on that Trading Level because of expectations that the Trading Level will continue to fluctuate until the Final Level is determined. If the Trading Level is near or below the Contingent Protection Level, we expect the market value of the Notes to decline to reflect the possibility that we will be able to deliver a Reference Asset that has depreciated in value (or pay you the equivalent reduced amount in cash), rather than pay the full principal amount of the Notes.

Volatility of the Reference Asset. Volatility is the term used to describe the size and frequency of market fluctuations. If the volatility of the Reference Asset increases or decreases, the trading value of the Notes may be adversely affected.

Interest rates. We expect that the trading value of the Notes will be affected by changes in interest rates. In general, if interest rates increase, the value of the Notes may decrease, and if interest rates decrease, the value of the Notes may increase. Interest rates also may affect the economy and, in turn, the value of the Reference Asset, 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 Trading Level of the Reference Asset, 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 Reference Asset during the period prior to the maturity of the Notes. As the time remaining to the maturity of the Notes decreases, this time premium will likely decrease, potentially adversely affecting the trading value of the Notes. As the time remaining to maturity decreases, the trading value of the Notes may be less sensitive to the price volatility of the instrument or instruments comprising the Reference Asset.

Dividend yield, if any. The value of the Notes also may be affected by the dividend yields, if any, on the instrument or instruments comprising the Reference Asset. In general, because the payment at maturity does not incorporate the value of dividend payments, higher dividend yields likely will reduce the trading value of the Notes and, conversely, lower dividend yields likely will increase the trading value of the Notes.

Events affecting or involving the Reference Asset. Economic, financial, regulatory, geographic, judicial, political and other developments that affect the level of the Reference Asset, and real or anticipated changes in those factors, also may affect the trading value of the Notes. For example, earnings results of a Reference Asset that is or relates to one or more equity securities, and real or anticipated changes in those conditions or results, may affect the trading value of the Notes. Reference Assets relating to equity securities also may be affected by mergers and acquisitions, which can contribute to volatility of the Reference Asset. As a result of a merger or acquisition involving the Reference Asset, the Reference Asset may be replaced with a surviving or acquiring entity s securities. The surviving or acquiring entity s securities may not have the same characteristics as the company or companies previously comprising the Reference Asset.

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

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

The Notes are not insured against loss by any third parties; you can depend only on our earnings and assets for payment of principal and interest, if any, 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 any interest. The Notes also will 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.

Reported Reference Asset levels may be based on non-current information.

If trading is interrupted in the instrument or instruments comprising the Reference Asset, publicly available information regarding the Reference Asset level may be based on the last reported prices or levels. As a result, publicly available information regarding reported Reference Asset prices or levels may at times be based on non-current information.

The instrument or instruments comprising the Reference Asset may trade around-the-clock; however, if a secondary market develops, the Notes may trade only during regular trading hours in the United States.

If the market for the instrument or instruments comprising the Reference Asset is a global, around-the-clock market, the hours of trading for the Notes may not conform to the hours during which the instrument or instruments comprising the Reference Asset are traded. To the extent that U.S. markets are closed while international markets remain open, significant movements may take place in the levels of the instrument or instruments comprising the Reference Asset that will not be reflected immediately in the price of the Notes. There may not be any systematic reporting of last-sale or similar information for the instrument or instruments comprising the Reference Asset. The absence of last-sale or similar information and the limited availability of quotations would make it difficult for many investors to obtain timely, accurate data about the state of the market for the Reference Asset.

The Calculation Agent may postpone the determination of the amount you receive during the term of the Notes or at maturity if a Market Disruption Event occurs on the Calculation Date or on any Interest Determination Date.

The Calculation Date or any Interest Determination Date may be postponed if the Calculation Agent determines that a Market Disruption Event has occurred or is continuing on the Calculation Date or on any Interest Determination Date. If a postponement occurs, the Calculation Agent will use the Closing Price of the Reference Asset on the first succeeding Business Day on which no Market Disruption Event occurs or is continuing for the calculation of the applicable amount. You will not be entitled to compensation from us or the Calculation Agent for any loss suffered as a result of the occurrence of a Market Disruption Event, any resulting delay in payment or any change in the level of the Reference Asset after the originally-scheduled Calculation Date or Interest Determination Date.

The amount you receive at maturity may be delayed or reduced upon the occurrence of an Event of Default.

If the Calculation Agent determines that an Event of Default 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.

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

There is no direct legal authority as to the proper tax treatment of the Notes, and therefore significant aspects of the tax treatment of the Notes are uncertain, as to both the timing and character of any inclusion in income in respect of your Note. Because of this uncertainty, we urge you to consult your tax advisor as to the tax consequences of your investment in a Note. For a more complete discussion of the United States federal income tax consequences of your investment in a Note, please see the discussion under Certain U.S. Federal Income Tax Considerations.

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

The Calculation Agent will make certain determinations and judgments in connection with calculating the Final Level, Exchange Ratio and Contingent Protection Price and determining whether a Market Disruption Event has occurred. You should refer to Description of Notes. Because the Calculation Agent could be our affiliate, conflicts of interest may arise in connection with the Calculation Agent performing its role as Calculation Agent. Bear Stearns is obligated to carry out its duties and functions as Calculation Agent in good faith and using its reasonable judgment.

Trading and other transactions by us or our affiliates could affect the prices of the Reference Asset, the trading value of the Notes or the amount you may receive at maturity.

In connection with our normal business practices or in connection with hedging our obligations under the Notes, we and our affiliates may from time to time buy or sell the instrument or instruments comprising a Reference Asset, similar instruments, other securities of an issuer of an instrument comprising a Reference Asset or derivative instruments relating to such an instrument or instruments. 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. These trading activities also could affect the price of an instrument comprising any Reference Asset in a manner that would decrease the trading value of the Notes prior to maturity or the amount you would receive at maturity. To the extent that we or any of our affiliates have a hedge position in an instrument or instruments comprising the Reference Asset, or in a derivative or synthetic instrument related to such an instrument, we or any of our affiliates may liquidate a portion of such holdings at or about the time of the maturity of the Notes. This liquidation activity may affect the amount payable at maturity in a manner that would be adverse to your investment in 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.

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 any such position in the Notes.

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

We or one or more of our affiliates have published, and may in the future publish, research reports relating to the instrument or instruments comprising certain Reference Assets or to the issuers of certain such instruments. The views expressed in this research may be modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the Notes. Any of these activities may affect the market price of an instrument comprising the Reference Asset and, therefore, the value of the Notes. Moreover, other professionals who deal in these markets may at any time have views that differ significantly from ours. In connection with your purchase of the Notes, you should investigate the Reference Asset and not rely on our views with respect to future movements in the Reference Asset.

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

We and our affiliates, at present or in the future, may engage in business relating to the Sponsor or issuer of any instrument or instruments comprising the Reference Asset, including making loans to, equity investments in, or providing investment banking, asset management or other advisory services to such a Sponsor or issuer. In connection with these activities, we may receive information pertinent to the Reference Asset that we will not divulge to you.

We cannot control actions by the Sponsors or issuers of the instrument or instruments comprising the Reference Asset.

Actions by any Sponsor or issuer of the instrument or instruments comprising the Reference Asset may have an adverse effect on the Trading Level and the Closing Price of the Reference Asset and therefore on the value of the Notes. No Sponsor or issuer will be involved with the administration, marketing or trading of the Notes and no Sponsor or issuer will have any obligations with respect to the amounts to be paid to you on any Interest Payment Date or on the Maturity Date, or to consider your interests as an owner of Notes when it takes any actions that might affect the value of the Notes. No Sponsor or issuer will receive any of the proceeds of any Note offering and no Sponsor or issuer will be responsible for, or have participated in, the determination of the timing of, prices for, or quantities of, the Notes to be issued.

We will not be affiliated with any Sponsor or issuer of any instrument or instruments comprising the Reference Asset (except for the licensing arrangements, if any, discussed in the applicable pricing supplement), and we have no ability to control or predict their actions, including any errors in information disclosed by them or any discontinuance by them of such disclosure. However, we may currently, or in the future, engage in business with such Sponsors or issuers. Neither we, nor any of our affiliates, including the Agent, assumes any responsibility for the adequacy or accuracy of any publicly available information about the Sponsor or issuer of any instrument or instruments comprising the Reference Asset, whether such information is contained in the pricing supplement or otherwise. You should make your own investigation into the Reference Asset and the Sponsor or issuer of any instrument or instruments comprising the Reference Asset.

You have no recourse to the Sponsor or issuer of any instrument or instruments comprising the Reference Asset.

Your investment in the Notes will not give you any rights against any Sponsor or issuer, including any Sponsor or issuer that may determine or publish the level of any instrument or instruments comprising the Reference Asset. The Notes are not sponsored, endorsed, sold or promoted by the Sponsor or issuer of any instrument or instruments comprising the Reference Asset.

Changes in methodology of the Sponsor or issuer of certain Reference Assets or changes in laws or regulations, may affect the value of and payment, if any, on the Notes prior to maturity and the amount you receive at maturity.

The Sponsor or issuer of certain Reference Assets may have the ability from time to time to change any rule or bylaw or take emergency action under its rules, any of which could affect the market prices of the instrument or instruments comprising the Reference Asset. Any such change which causes a decrease in such market prices could adversely affect the level the Reference Asset and the value of the Notes.

In addition, prices of a Reference Asset could be adversely affected by the promulgation of new laws or regulations or by the reinterpretation of existing laws or regulations (including, without limitation, those relating to taxes and duties on any Reference Asset) by one or more governments, governmental agencies or instrumentalities, courts or other official bodies. Any such event could adversely affect the level of the Reference Asset and, correspondingly, could adversely affect the value of the Notes.

The Sponsor may change the instruments comprising Reference Assets that are indices in a way that adversely affects the Reference Asset level and consequently the value of the Notes.

The Sponsor of Reference Assets that are indices can add, delete or substitute the instruments comprising the Reference Asset or make other methodological changes that could adversely change the level of the Reference Asset and the value of the Notes. You should realize that changes in the instrument or instruments comprising the Reference Asset may affect the Reference Asset, as a newly added instrument or instruments may perform significantly better or worse than the instrument or instruments it replaces.

Any discontinuance or suspension of calculation or publication of the Closing Prices of the instrument or instruments comprising the Reference Asset may adversely affect the trading value of the Notes and the amount you will receive at maturity.

If the calculation or publication of the Closing Prices of the instrument or instruments comprising the Reference Asset is discontinued or suspended, it may become difficult to determine the trading value of the Notes or, if such discontinuance or suspension is continuing on the Calculation Date, the amount you will receive at maturity.

Risks relating to Reference Assets comprised of an instrument or instruments traded in an international market.

The prices and performance of instruments or securities traded in international markets may be affected by political, economic, financial and social factors in the relevant international market. In addition, recent or future changes in that country s government, economic and fiscal policies, the possible imposition of, or changes in, currency exchange laws or other laws or restrictions, and possible fluctuations in the rate of exchange between currencies, are factors that could adversely affect the international securities markets. Moreover, the relevant international economy may differ favorably or unfavorably from that of the United States.

Time differences between the domestic and international markets and New York City may create discrepancies in the trading level of the Notes if the Reference Assets are comprised of instruments that primarily trade on international markets.

In the event that the instrument or instruments comprising a Reference Asset trade primarily on an international market, time differences between the domestic and international markets (e.g., Tokyo is currently 14 hours ahead of New York City) may result in discrepancies between the level of the instrument or instruments comprising the Reference Asset and the trading value of the Notes. To the extent that U.S. markets are closed while markets for the instrument or instruments comprising the Reference Asset remain open, significant price or rate movements may take place in the instrument or instruments comprising the Reference Asset that will not be reflected immediately in the value of the Notes. In addition, there may be periods when the relevant international markets are closed for trading (e.g., during holidays in an international country), causing the level of the Reference Asset to remain unchanged for multiple Trading Days in New York City.

ADDITIONAL RISKS RELATING TO NOTES WITH AN EQUITY SECURITY OR EQUITY INDEX AS THE REFERENCE ASSET.

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

If the Reference Asset is an equity security or an equity index, we expect that the Reference Asset will fluctuate in accordance with changes in the financial condition of the relevant issuer(s), the value of common stocks generally and other factors. The financial condition of the issuer(s) of the Reference Asset may become impaired or the general condition of the equity market may deteriorate, either of which may cause a decrease in the value of the Reference Asset and thus in the value of the Notes. Common stocks are susceptible to general equity market fluctuations and to volatile increases and decreases in value, as market confidence in and perceptions regarding the security or securities comprising a Reference Asset change. Investor perceptions regarding the issuer of a security comprising a Reference Asset are based on various and unpredictable factors, including expectations regarding government, economic, monetary and fiscal policies, inflation and interest rates, economic expansion or contraction, and global or regional political, economic, and banking crises. The value of the Reference Asset may be expected to fluctuate until the Maturity Date.

You have no rights in the property, nor shareholder rights in any securities of any issuer, of the security or securities comprising the Reference Asset.

Investing in the Notes will not make you a holder of the security or securities comprising the Reference Asset. Neither you nor any other holder or owner of the Notes will have any voting rights, any right to receive dividends or other distributions or any other rights with respect to any property or securities of the issuer or issuers of the security or securities comprising the Reference Asset.

The Notes may be affected by certain corporate events and you will have limited antidilution protection.

Following certain corporate events relating to the underlying Reference Asset, such as a stock-for-stock merger where the underlying company is not the surviving entity, you will receive at maturity, cash or a number of shares of the common stock of a successor corporation to the underlying company, based on the Closing Price of such successor s common stock. The occurrence of such corporate events and the consequent adjustments may materially and adversely affect the value of the Notes. We describe the specific corporate events that can lead to these adjustments in the section Antidilution Adjustments for Equity Securities. The Calculation Agent for the Notes will adjust the amount payable at maturity by adjusting the Initial Level of the Reference Asset, Contingent Protection Level, Contingent Protection Price and Exchange Ratio for certain events affecting the Reference Asset, such as stock splits and stock dividends and certain other corporate events involving an underlying company. However, the Calculation Agent is not required to make an adjustment for every corporate event that can affect the Reference Asset. If an event occurs that is perceived by the market to dilute the Reference Asset but that does not require the Calculation Agent to adjust the amount of the Reference Asset payable at maturity, the market value of the Notes and the amount payable at maturity may be materially and adversely affected. You should refer to Description of Notes Calculation Agent and Calculations in this prospectus supplement for a description of the items that the Calculation Agent is responsible for determining.

Payments at maturity will not reflect dividends on the Reference Asset.

Payments at maturity do not reflect the payment of dividends on the security or securities comprising the Reference Asset. Therefore, the yield derived from an investment in the Notes will not be the same as if you had purchased the security or securities comprising the Reference Asset and held it or them for a similar period.

We obtained the information about the Sponsor or issuers of the Reference Asset from public filings.

We have derived all information in the applicable pricing supplement about the Sponsor or issuers of the security or securities comprising the Reference Asset from publicly available documents. We have not participated and will not participate in the preparation of any of those documents. Nor have we made or will we make any due diligence investigation or any inquiry with respect to the Sponsor or issuers of the security or securities comprising the Reference Asset in connection with the offering of the Notes. We do not make any representation that any publicly available document or any other publicly available information about the Sponsor or issuers of the security or securities comprising the Reference Asset is accurate or complete. Furthermore, we do not know whether all events occurring before the date of the applicable pricing supplement, including events that would affect the accuracy or completeness of the publicly available documents referred to above or the Trading Level of the Reference Asset, have been publicly disclosed. Subsequent disclosure of any events of this kind or the disclosure of

or failure to disclose material future events concerning the Sponsor or issuers of the security or securities comprising the Reference Asset could affect the value you will receive at maturity and, therefore, the market value of the Notes.

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

The Reference Asset may be a security or securities issued by international companies (or an index relating to such securities) and may be denominated in a foreign currency. Investors should be aware that investments in Reference Assets linked to the value of international securities (or an index relating to such securities) might involve particular risks. The international securities comprising or relating to a Reference Asset may have less liquidity and could be more volatile than many of the securities traded in U.S. or other longer-established securities markets. Direct or indirect government intervention to stabilize the relevant international securities markets, as well as cross shareholdings in international companies, may affect trading prices and volumes in those markets. Also, there is generally less publicly available information about international companies than about those U.S. companies that are subject to the reporting requirements of the SEC; and international companies often are subject to accounting, auditing and financial reporting standards and requirements that differ from those applicable to U.S. reporting companies. The other special risks associated with international securities may include, but are not necessarily limited to: less liquidity and smaller market capitalizations; less rigorous regulation of securities markets; different accounting and disclosure standards; governmental interference; higher inflation; and social, economic and political uncertainties.

These factors may adversely affect the performance of the Reference Asset and, as a result, the trading value of the Notes and the amount you will receive at maturity.

ADDITIONAL RISKS RELATING TO NOTES WHICH PAY A FLOATING RATE OF INTEREST.

You may receive a lesser amount of interest in the future.

Because the interest rate on a floating rate Note will not be fixed, 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 or no interest at all. 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 also could be characteristic of the future.

The Notes will be subject to a maximum interest rate, which will limit your return.

If the Notes you purchase earn a floating rate of interest, the Notes will be subject to a maximum interest rate. The rate of interest that will accrue will never exceed the maximum rate permitted by New York law, as modified by federal law. Current New York law provides a maximum interest rate of 25% per annum. This limit does not apply to Notes with principal amounts of more than $2,500,000.

ADDITIONAL RISKS RELATING TO NOTES WITH A REFERENCE ASSET THAT IS A COMMODITY OR CURRENCY OR AN INDEX RELATING THERETO.

Prices of commodities are highly volatile.

Commodities prices are highly volatile and are affected by numerous factors in addition to economic activity. These include political events, weather, labor activity, direct government intervention, such as embargos, and supply disruptions in major producing or consuming regions. Such events tend to affect prices worldwide, regardless of the location of the event. Market expectations about these events and speculative activity also cause prices to fluctuate.

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

The commodity markets are subject to temporary distortions or other disruptions due to various factors, including a lack of liquidity in the markets, the participation of speculators and potential government regulation and

intervention. In addition, U.S. futures exchanges and some international futures exchanges have regulations that limit the amount of fluctuation in futures contract prices that may occur during a single business day. These limits are generally referred to as daily price fluctuation limits and the maximum or minimum price of a contract on any given day as a result of these limits is referred to as a limit price. Once the limit price has been reached in a particular contract, no trades may be made at a different price. Limit prices may have the effect of precluding trading in a particular contract or forcing the liquidation of contracts at disadvantageous times or prices.

You may not have any rights to receive the Reference Asset.

Investing in the Notes will not make you a holder of any commodity, currency or futures contract relating to a Reference Asset. Unless the Reference Asset is an equity security, the Notes will be paid in U.S. dollars, and you will have no right to receive delivery of any commodity, currency or futures contract relating to a Reference Asset.

Lack of regulation.

The net proceeds to be received by us from the sale of Notes relating to one or more commodities (or an index thereon) will not be used to purchase or sell any commodity futures contracts or options on futures contracts for your benefit. An investment in the Notes thus does not constitute either an investment in futures contracts, options on futures contracts or in a collective investment vehicle that trades in these futures contracts (i.e., the Notes will not constitute a direct or indirect investment by you in the futures contracts), and you will not benefit from the regulatory protections of the Commodity Futures Trading Commission (the CFTC). We are not registered with the CFTC as a futures commission merchant (FCM) and you will not benefit from the CFTC s or any other non-United States regulatory authority s regulatory protections afforded to persons who trade in futures contracts on a regulated futures exchange through a registered FCM. Unlike an investment in the Notes, an investment in a collective investment vehicle that invests in futures contracts on behalf of its participants may be subject to regulation as a commodity pool and its operator may be required to be registered with and regulated by the CFTC as a commodity pool operator (CPO), or qualify for an exemption from the registration requirement. Because the Notes will not be interests in a commodity pool, the Notes will not be regulated by the CFTC as a commodity pool, we will not be registered with the CFTC as a CPO, and you will not benefit from the CFTC s or any non-U.S. regulatory authority s regulatory protections afforded to persons who invest in regulated commodity pools.

Risks relating to trading of the instrument or instruments comprising a Reference Asset on international futures exchanges.

Certain international futures exchanges operate in a manner more closely analogous to the over-the-counter physical commodity markets than to the regulated futures markets, and certain features of U.S. futures markets are not present. For example, there may not be any daily price limits which would otherwise restrict the extent of daily fluctuations in the prices of the respective contracts. In a declining market, therefore, it is possible that prices would continue to decline without limitation within a Trading Day or over a period of Trading Days.

Changes in foreign exchange rates and foreign exchange controls could result in a substantial loss to you.

An investment in Notes that are denominated in a specified currency other than U.S. dollars, or that have principal and/or any interest payments indexed to a specified currency, entails significant risks that are not associated with a similar investment in a security denominated in U.S. dollars. Risks include, without limitation, the possibility of significant changes in rates of exchange between the U.S. dollar and the relevant foreign currencies or composite currencies and the possibility of the imposition or modification of foreign exchange controls by either the United States or international 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 U.S. dollar and certain foreign currencies have been highly volatile and such volatility also could occur in the future. If a Note is non-U.S. dollar denominated, depreciation of the specified currency against the U.S. 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 U.S. 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 non-U.S. dollar denominated 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 U.S. dollars on the basis of the most recently available exchange rate.

If the Reference Asset is comprised of one or more foreign currencies (or an index thereon), the Notes relating thereto may be subject to foreign exchange risk.

The price relationship between two different currencies (e.g., the U.S. dollar and the Japanese yen) may be highly volatile and varies based on a number of interrelated factors, including the supply and demand for each currency, political, economic, legal, financial, accounting and tax matters and other actions that we cannot control. Relevant factors include, among other things, the possibility that exchange controls could be imposed or modified, the possible imposition of other regulatory controls or taxes, the overall growth and performance of the local economies, the trade and current account balance between the relevant countries, market interventions by the central banks, inflation, interest rate levels, the performance of the global stock markets, the stability of the relevant governments and banking systems, wars, major natural disasters and other foreseeable and unforeseeable events. In addition, the value of a currency may be affected by the operation of, and the identity of persons and entities trading on, interbank and interdealer foreign exchange markets.

The liquidity, trading value and amount you receive at maturity could be affected by the actions of the relevant sovereign governments.

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

The unavailability of foreign currencies could result in a substantial loss to you.

Banks may not offer non-U.S. dollar denominated checking or savings account facilities in the United States. Accordingly, payments on non-U.S. dollar denominated Notes will be made from an account with a bank located in the country issuing the specified currency. As a result, you may have difficulty converting or be unable to convert such specified currencies into U.S. dollars on a timely basis or at all. Unless otherwise specified in the applicable pricing supplement, Notes denominated in a specified currency other than U.S. dollars will not be sold in, or to residents of, the country issuing the specified currency in which particular Notes are denominated.

ADDITIONAL RISKS RELATING TO CERTAIN NOTES WITH MORE THAN ONE REFERENCE ASSET.

The Reference Asset may not be a recognized market index and may not accurately reflect global market performance.

The Reference Asset may not be a recognized market index and may be created solely for purposes of the offering of the Notes and calculated solely during the term of the Notes. In such an instance, the level of the Reference Asset and, therefore, its performance will not be published as a separate index during the term of the Notes.

Risks associated with the Reference Asset may adversely affect the market price of the Notes.

Because the Notes may be linked to changes in the values of a limited number of instruments, the Reference Assets may be less diversified than funds or portfolios investing in broader markets and, therefore, could experience greater volatility. An investment in such Notes may carry risks similar to a concentrated investment in a limited number of industries or sectors.

The instruments comprising the Reference Asset may not move in tandem; and gains in one such instrument may be offset by declines in another such instrument.

Price movements in the instruments comprising the Reference Assets may not move in tandem with each other. At a time when the price of one or more of such instruments increases, the price of one or more of the other such instruments may decline. Therefore, increases in the value of one or more of the instruments comprising the Reference Asset may be moderated, or wholly offset, by lesser increases or declines in the value of one or more of the other instruments comprising the Reference Asset.

The Reference Asset may be highly concentrated in one or more industries or economic sectors.

The Notes are subject to the downside risk of an investment in the Reference Asset, which may be highly concentrated in securities or other instruments representing a particular economic sector. These include the risks that the price level of other assets in these sectors or the prices of securities or other instruments comprising the Reference Asset may decline, thereby adversely affecting the value of the Notes. If the Reference Asset is concentrated in an industry or group of industries or a particular economic sector, the Notes also will be concentrated in that industry or group of industries or economic sector.

Please note, this prospectus supplement, the attached prospectus and the applicable pricing supplement do not describe all the risks of an investment in Notes. We urge you to consult your own financial and legal advisors as to the risks entailed by an investment in Notes.

PRICING SUPPLEMENT

The pricing supplement for each offering of Notes will contain the specific information and terms for that offering. The pricing supplement also may add, update or change information contained in this prospectus supplement and the accompanying prospectus. If any information in the pricing supplement is inconsistent with this prospectus supplement, you should rely on the information in the pricing supplement. We also may prepare free writing prospectuses that describe particular issuances of Notes. Any free writing prospectus should also be read in connection with this prospectus supplement and the accompanying prospectus. For purposes of this prospectus supplement, any references to an applicable pricing supplement also may refer to a free writing prospectus, unless the context otherwise requires. 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.

Terms Specified in Pricing Supplement. A pricing supplement will specify the following terms of any issuance of Notes to the extent applicable:

the initial public offering price if other than 100%,

Reference Asset,

aggregate principal amount,

Pricing Date,

Original Issue Date,

Calculation Date,

Maturity Date and any terms related to any extension of the Maturity Date not otherwise set forth in this prospectus supplement,

Agent s discount,

coupon rate,

Interest Payment Dates,

Initial Level,

Closing Price,

Contingent Protection Level,

Contingent Protection Price,

Payment at maturity,

Exchange Ratio,

Fractional Share Cash Amount,

CUSIP,

the currency in which the Notes will be denominated and currency in which the interest will be payable if not U.S. dollars,

and any other applicable terms.

DESCRIPTION OF NOTES

You should carefully read the general terms and provisions of our debt securities in Description of Debt Securities in the accompanying prospectus. This section supplements that description. The applicable pricing supplement will specify the particular terms for each issuance of Notes and may supplement, modify or replace any of the information in this section and in Description of Debt Securities in the accompanying prospectus. Please note that the information about the price to the public and net proceeds to us on the front cover of the applicable pricing supplement relates only to the initial sale of the Notes. If you have purchased the Notes in a purchase/resale transaction after the initial sale, information about the price and date of sale to you will be provided in a separate confirmation of sale.

Denominations

The Notes will be issued in minimum denominations of $1,000 (or the specified currency equivalent), increased in multiples of $1,000 (or the specified currency equivalent); provided, however, that the minimum purchase for any purchaser domiciled in a Member State of the European Union shall be $100,000.

No Principal Protection

The principal amount of your investment is not protected and you may receive less, and possibly significantly less, than the amount you invested. The amount of the principal payment at maturity will depend on two variables: (i) the Trading Level of the Reference Asset during the term of the Notes; and (ii) the relationship between the Final Level of the Reference Asset and the Initial Level of the Reference Asset.

You will receive 100% of your principal at maturity if, either of the following is true: (i) the Trading Level of the Reference Asset never equals or falls below the Contingent Protection Level during the term of the Notes; or (ii) the Final Level of the Reference Asset is equal to or greater than the Initial Level of the Reference Asset.

However, the Notes will not be principal protected if both of the following are true: (i) the Trading Level of the Reference Asset ever equals or falls below the Contingent Protection Level during the term of the Notes; and (ii) the Final Level of the Reference Asset is less than the Initial Level of the Reference Asset. If both of those conditions are true, the principal amount of your investment will not be protected and you will receive less, and possibly significantly less, than the amount you invested.

Payment at Maturity

We will pay you 100% of the principal amount of your Notes, in cash, at maturity if either of the following is true: (i) the Trading Level of the Reference Asset never equals or falls below the Contingent Protection Level from the period beginning with the Original Issue Date up to and including the Calculation Date; or (ii) the Final Level of the Reference Asset is equal to or greater than the Initial Level of the Reference Asset.

However, if <u>both</u> of the following are true, the amount of principal you receive at maturity will be reduced by the percentage decrease in the Reference Asset: (i) the Trading Level of the Reference Asset ever equals or falls below the Contingent Protection Level during the term of the Notes; and (ii) the Final Level of the Reference Asset is less than the Initial Level of the Reference Asset. In that event, the manner in which the Notes will be settled on the Maturity Date will depend on whether the Reference Asset is an equity security.

If the Reference Asset is an equity security, we, at our option, will either: (i) physically deliver to you an amount of the Reference Asset equal to the Exchange Ratio plus the Fractional Share Cash Amount (which means that you will receive shares with a market value that is less than the full principal amount of your Notes); or (ii) pay you a cash amount equal to the principal amount you invested reduced by the percentage decrease in the Reference Asset.

If the Reference Asset is not an equity security, we will pay you an amount in cash equal to the principal amount you invested reduced by the percentage decrease in the Reference Asset.

We will (i) provide written notice to the Trustee and to the Depositary, on or prior to the Business Day immediately prior to the Maturity Date of the amount of cash or number of shares of the Reference Asset (and cash in respect of coupon and cash in respect of any fractional shares of the Reference Asset), as applicable, to be delivered, and (ii) deliver such cash or shares of the Reference Asset (and cash in respect of coupon and any fractional shares of the Reference Asset), if applicable, to the Trustee for delivery to you. The Calculation Agent shall determine the Exchange Ratio.

No Fractional Shares

Following the delivery of the Notes to the Trustee on the Maturity Date, if our payment is to be made in an amount of the Reference Asset, we will deliver the amount of the Reference Asset due with respect to all of such Notes, except that we will pay you an amount in cash, in lieu of delivering any fractional amount of the Reference Asset, equal to $1,000 minus the product of (x) the Exchange Ratio and (y) the Initial Level.

Exchange Ratio

If the Reference Asset is an equity security, we will deliver to you, at maturity, a number of shares of the Reference Asset equal to the Exchange Ratio. The Exchange Ratio and the Initial Level will be adjusted for certain events relating to the Reference Asset.

Interest and Coupon

Type of Interest, Accrual Features and Payment. The interest rate on the Notes, if any, will be either fixed or floating, as designated by the applicable pricing supplement. No interest may be payable with respect to certain Notes. The interest rate on a Note, if any, may be calculated by reference to a specified interest rate formula, plus or minus a spread, if any, as specified in the applicable pricing supplement. The spread will be the number of basis points specified in the applicable pricing supplement and may be a fixed amount or an amount that increases or decreases over time. The formula may be based on any formula or rates, including LIBOR. In addition to identifying any spread, the applicable pricing supplement also will indicate any applicable maximum or minimum interest rate limitations. Interest will be paid on the Interest Payment Dates specified in the applicable pricing supplement and on the Maturity Date.

The interest paid, if any, will include interest accrued from the Original Issue Date to, but excluding, the relevant Interest Payment Date or Maturity Date. Interest will be paid to the person in whose name the Note is registered at the close of business on the Record Date immediately preceding the relevant Interest Payment Date. However, interest payable on the Maturity Date will be payable to the person to whom principal is payable. 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 occurring immediately after the next Record Date. The total amount of any interest and any principal due on any Interest Payment Date or on the Maturity Date will be made available to the Trustee on such Interest Payment Date or Maturity Date, as the case may be. As soon as possible thereafter, the Trustee will make such payments to the depository.

Interest will be computed using a 360-day year of twelve 30-day months. In the event that any Interest Payment Date or Maturity Date is not a Business Day, the related payment of principal or interest will be made on the next

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Business Day; and the interest accruing for the period from and after that Interest Payment Date to such next Business Day, if any, shall be paid on the next succeeding Interest Payment Date, if any. However, for Notes which pay LIBOR, if such next Business Day is in the next calendar month, principal or interest, if any, will be paid on the Business Day immediately preceding the Interest Payment Date or Maturity Date, provided that such immediately preceding Business Day is also a London Banking Day. If the Interest Payment Date is also a day on which principal is due, the interest payable will include interest accrued to, but excluding, the stated Maturity Date.

***Date Floating Interest Rate Changes*.** After the first Interest Reset Date, the interest rate on a floating rate Note will be the rate determined on the next Interest Determination Date. Each time a new interest rate is determined, the new rate will become effective on the next Interest Reset Date. The interest rate for Notes with daily Interest Reset Dates may be changed until the Business Day immediately preceding the Maturity Date.

***How Interest Is Calculated*.** Accrued interest from the Original Issue Date or from the last Interest Payment Date will be calculated by multiplying the face amount of the Notes by an accrued interest factor. The accrued interest factor will be computed by adding the interest factors calculated for each day from the Original Issue Date, or from the last Interest Payment Date, to the date for which accrued interest is being calculated. In the case of Notes which pay LIBOR, the interest factor (expressed as a decimal calculated to seven decimal places without rounding) for each such day will be computed by dividing the interest rate applicable to that day by 360.

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

Unless otherwise specified in the applicable pricing supplement, the Calculation Date relating to an Interest Determination Date will be the earlier of (a) the tenth calendar day after the Interest Determination Date or, if that day is not a Business Day, the next Business Day, or (b) the Business Day before the applicable Interest Payment Date or Maturity Date. On your request, the Calculation Agent will provide you with the interest rate then in effect, and, if different, the interest rate that will become effective as a result of a determination made on the most recent Interest Reset Date.

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

While we believe that New York law would be given effect by a state or federal court sitting outside of New York, many other states also have laws that regulate the amount of interest that may be charged to and paid by a borrower. We will promise, for your benefit as a holder of the Notes, to the extent permitted by law, not to voluntarily claim the benefits of any laws concerning usurious rates of interest.

***Notes May Accrue Interest at an Inverse Floating Rate*.** The interest rate on Notes may be equal to a fixed or floating rate of interest minus an interest rate determined based on a rate specified in the applicable pricing supplement, as adjusted by any spread or multiplier. In such event, the interest rate paid on the Notes will vary inversely with changes in the interest rate specified in the applicable pricing supplement.

Manner of Payment and Delivery

Any payment or delivery on the Notes at maturity will be made to accounts designated by you and approved by us, or at the office of the Trustee in New York City, but only when the Notes are surrendered to the Trustee at that office. We also may make any payment or delivery in accordance with the procedures of the applicable depositary. We may make any delivery of the Reference Asset or distribution property ourselves or cause our Agent to do so on our behalf.

Reopened Issues

Under certain limited circumstances, and at our sole discretion, we may reopen certain issuances of Notes. These further issuances, if any, will be consolidated to form a single series with the Notes and will have the same CUSIP number and will trade interchangeably with the Notes immediately upon settlement. Any additional issuances will increase the aggregate principal amount of the outstanding Notes of this series, plus the aggregate principal amount of any Notes bearing the same CUSIP number that are issued pursuant to (i) any 30-day option we grant to the Agents, and (ii) any future issuances of Notes bearing the same CUSIP number. The price of any additional offering will be determined at the time of pricing of such offering.

We will treat any additional offerings of Notes as part of the same issue as the Notes for U.S. 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.

Redemption

Unless otherwise stated in the applicable pricing supplement, the Notes will not have a sinking fund. Redemption dates, if any, will be fixed at the time of sale and stated in the applicable pricing supplement. If no redemption date is indicated with respect to a Note, the Note will not be redeemable before it matures.

At any time, we may buy the Notes at any price in the open market or otherwise. Any Notes we purchase may be held or resold or, at our discretion, may be surrendered to the Trustee for cancellation.

Calculation Agent and Calculations

The Calculation Agent will make all determinations regarding the value of the Notes at maturity, the Closing Price of the Reference Asset, antidilution adjustments, whether the Trading Level has ever equaled or fallen below the Contingent Protection Level, the payment at maturity, Market Disruption Events, Business Days, the default amount (only in the case of a Market Disruption Event) and the amount payable in respect of your Notes, and any other calculations or determinations to be made by the Calculation Agent, as specified herein or in the applicable pricing supplement. Absent manifest error, all determinations of the Calculation Agent will be final and binding on you and us, without any liability on the part of the Calculation Agent.

SPONSORS OR ISSUERS AND REFERENCE ASSET

The Notes have not been passed on by the Sponsor or issuer of the instrument or instruments underlying the Reference Asset as to their legality or suitability. The Notes are not issued by and are not financial or legal obligations of the Sponsor or issuer of the instrument or instruments underlying the Reference Asset. The Sponsor or issuer of the instrument or instruments underlying the Reference Asset makes no warranties and bears no liabilities with respect to the Notes. This prospectus supplement relates only to the Notes offered by the applicable pricing supplement and does not relate to any security of an underlying issuer.

If the Reference Asset is one or more U.S. equity securities, note that companies with securities registered under the Exchange Act are required to file periodically certain financial and other information specified by the SEC. Information provided to or filed with the SEC can be inspected and copied at the public reference facilities maintained by the SEC at Room 1580, 100 F Street, N.E., Washington, D.C. 20549, and copies of such material can be obtained from the Public Reference Section of the SEC, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. You may obtain information on the operation of the public reference room by calling the SEC at l-800-SEC-0330. In addition, information provided to or filed with the SEC electronically can be accessed through a website maintained by the SEC. The address of the SEC s website is http://www.sec.gov. Information provided to or filed with the SEC pursuant to the Exchange Act by a company issuing a Reference Asset can be located by reference to the SEC file number provided in the applicable pricing supplement. In addition, information regarding such a company may be obtained from other sources including, but not limited to, press releases, newspaper articles and other publicly disseminated documents. We make no representation or warranty as to the accuracy or completeness of such information.

We do not make any representation or warranty as to the accuracy or completeness of any materials referred to above, including any filings made by the issuer of the Reference Asset with the SEC. In connection with any issuance of Notes under this prospectus supplement, neither we nor the Agent has participated in the preparation of the above-described documents or made any due diligence inquiry with respect to the Sponsor or issuer of the Reference Asset. Neither we nor the Agent makes any representation that such publicly available documents or any other publicly available information regarding the Sponsor or issuer of the Reference Asset is accurate or complete. Furthermore, we cannot give any assurance that all events occurring prior to the date hereof (including events that would affect the accuracy or completeness of the publicly available documents described herein) that would affect the Trading Level of the Reference Asset (and therefore the price of such Reference Asset at the time we price the Notes) have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning the Sponsor or issuer of the Reference Asset could affect the value received at maturity with respect to the Notes and therefore the Trading Level of the Notes.

ANTIDILUTION ADJUSTMENTS FOR EQUITY SECURITIES

General

If the Reference Asset is one or more equity securities, the Trading Level of the Reference Asset between the Original Issue Date and the Calculation Date, inclusive, will determine whether holders receive cash or shares of the Reference Asset at maturity of the Notes. If both (i) the Trading Level of the Reference Asset ever equals or falls below the Contingent Protection Level during the term of the Notes; and (ii) the Final Level of the Reference Asset is less than the Initial Level of the Reference Asset, the amount payable at maturity of the Notes will be reduced by the percentage decrease in the Reference Asset. In such event, the amount payable at maturity of the Notes will be based on the Final Level of the Reference Asset on the Calculation Date and the Exchange Ratio. The Exchange Ratio will be the same as the initial Exchange Ratio unless the Calculation Agent adjusts the Exchange Ratio as described below. The Calculation Agent will adjust the Initial Level, Contingent Protection Level, Contingent Protection Price or the Exchange Ratio or all of them, if an event described below occurs and the Calculation Agent determines that such event has a diluting or concentrative effect on the theoretical value of the Reference Asset.

The adjustments described below do not cover all events that could affect the value of the Notes. We describe the risks relating to dilution above under Risk Factors You Have Limited Antidilution Protection.

How Adjustments Will Be Made

Below you will find examples of how certain corporate actions and other events may lead to adjustments to the Exchange Ratio. In each case where the Exchange Ratio changes, the Initial Level, Contingent Protection Level and Contingent Protection Price generally will also change.

For example, if an adjustment is required because of a two-for-one stock split, then the Exchange Ratio for the Notes will be adjusted to double the Prior Exchange Ratio; and, as a result, the Initial Level, Contingent Protection Level and Contingent Protection Price will be reduced proportionately. The Calculation Agent also will determine the effective date of that adjustment. Upon making any such adjustment, the Calculation Agent will give notice as soon as practicable to the Trustee, stating the adjustment to the Initial Level, Contingent Protection Level, Contingent Protection Price, Exchange Ratio or all of them.

If more than one event requiring adjustment occurs, the Calculation Agent will make such an adjustment for each event in the order in which the events occur, and on a cumulative basis. Thus, having adjusted the Initial Level, Contingent Protection Level, Contingent Protection Price, the Exchange Ratio or all of them for the first event, the Calculation Agent will adjust the Initial Level, Contingent Protection Level, Contingent Protection Price, the Exchange Ratio or all of them for the second event, applying the required adjustment to the Initial Level, Contingent Protection Level, Contingent Protection Price and Exchange Ratio as already adjusted for the first event, and so on for any subsequent events.

For any dilution event described below, the Calculation Agent will not have to adjust the Initial Level, Contingent Protection Level, Contingent Protection Price or the Exchange Ratio unless the adjustment would result in a change of at least 0.10% in the Initial Level, Contingent Protection Level, Contingent Protection Price or Exchange Ratio that would apply without the adjustment. The Initial Level, Contingent Protection Level, Contingent Protection Price and the Exchange Ratio resulting from any adjustment will be rounded up or down, as appropriate, to, in the case of the Initial Level and Contingent Protection Price, the nearest cent, and, in the case of the Contingent Protection Level and the Exchange Ratio, the nearest thousandth, with one-half cent and five hundred-thousandths, respectively, being rounded upward.

If an event requiring antidilution adjustment occurs, the Calculation Agent will make any adjustments with a view to offsetting, to the extent practical, any change in your economic position relative to the Notes, which results solely from that event. The Calculation Agent may, in its sole discretion, modify any antidilution adjustments as necessary to ensure an equitable result.

The Calculation Agent will make all determinations with respect to antidilution adjustments, including any determination as to whether an event requiring adjustment has occurred, as to the nature of the adjustment required and how it will be made, and will do so in its sole discretion. In the absence of manifest error, those determinations will be conclusive for all purposes and will be binding on you and us, without any liability on the part of the Calculation Agent. The Calculation Agent will provide information about any adjustments it makes upon your written request.

Events Necessitating Adjustment

The following events are those that may require an antidilution adjustment:

a subdivision, consolidation or reclassification of the Reference Asset or a free distribution or dividend of any Reference Asset to existing holders of the Reference Asset by way of bonus, capitalization or similar issue;

a distribution or dividend to existing holders of the Reference Asset of:

the Reference Asset,

other share capital or securities granting the right to payment of dividends equally or proportionately with such payments to holders of the Reference Asset, or

any other type of securities, rights or warrants in any case for payment (in cash or otherwise) at less than the prevailing market price as determined by the Calculation Agent;

the declaration by the issuer of the Reference Asset of an extraordinary or special