BEAR STEARNS COMPANIES INC
Form 424B5
November 01, 2005

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

Subject to Completion, dated November 1, 2005

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

The Bear Stearns Companies Inc.

$[ ] Accelerated Market Participation Securities Linked to the Nikkei 225SM Index Due May [ ], 2007

The Notes are linked to the performance of the Nikkei 225SM (the "Index") and are not principal protected.

When we refer to Notes in this pricing supplement, we mean Notes with a principal amount of $1,000. On the Maturity Date you will receive the Cash Settlement Value, an amount in cash depending on the relation of the Final Index Level to the Initial Index Level.

If, at maturity, the Final Index Level is greater than or equal to the Initial Index Level, we will pay you the principal amount of the Notes, plus the lesser of:

- [300]% of the percentage increase in the Index multiplied by the principal amount of the Notes, and
- [30]% (the maximum return on the Notes) multiplied by the principal amount of the Notes.

Thus, if the Final Index Level is greater than [110]% of the Initial Index Level, regardless of the extent to which the Final Index Level is greater than the Initial Index Level, we will pay you $[1,300] per Note, which represents a maximum return of [30]%.

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

- $1,000 multiplied by an amount, in percentage terms, equal to the Final Index Level divided by the Initial Index Level.

The CUSIP number for the Notes is 073928M59.

INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. THERE MAY NOT BE A SECONDARY MARKET IN THE NOTES, AND IF THERE WERE TO BE A SECONDARY MARKET, IT MAY NOT BE LIQUID. YOU SHOULD REFER TO "RISK FACTORS" BEGINNING ON PAGE PS-9.

"Nikkei," "Nikkei Stock Average" and "Nikkei 225" are service marks of Nihon Keizai Shimbun, Inc. ("NKS") and have been licensed for use for certain purposes by The Bear Stearns Companies Inc. The Notes are not sponsored, endorsed, sold or promoted by NKS, and NKS makes no representation regarding the advisability of investing in the Notes.

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

	Per Note	Total
Initial public offering price	[100.00]%	$[ ]
Agent's discount	[ ]%	$[ ]
Proceeds, before expenses, to us	[ ]%	$[ ]

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 November [ ], 2005, 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.

November [ ], 2005

SUMMARY

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

The Bear Stearns Companies Inc. Medium-Term Notes, Series B, Accelerated Market Participation Securities ("AMPS"), Linked to the Nikkei 225^{SM} Index, Due May [ ], 2007 (the "Notes") are Notes whose return is tied or "linked" to the performance of the Index. When we refer to Note or Notes in this pricing supplement, we mean $1,000 principal amount of Notes. The Notes are not principal protected. On the Maturity Date you will receive the Cash Settlement Value, an amount in cash depending on the relation of the Final Index Level to the Initial Index Level. If, at maturity, the Final Index Level is greater than or equal to the Initial Index Level, we will pay you the principal amount of the Notes, plus the lesser of (i) [300]% of the percentage increase in the Index multiplied by the principal amount of the Notes, and (ii) [30]% (the maximum return on the Notes) multiplied by the principal amount of the Notes. Thus, if the Final Index Level is greater than [110]% of the Initial Index Level, regardless of the extent to which the Final Index Level is greater than the Initial Index Level, we will pay you $[1,300] per Note, which represents a maximum return of [30]%. If, at maturity, the Final Index Level is less than the Initial Index Level, you will receive less and possibly significantly less, than the original public offering price of $1,000 per each $1,000 principal amount of Notes. In this case, we will pay you $1,000 multiplied by an amount, in percentage terms, equal to the Final Index Level divided by the Initial Index Level.

Selected Investment Considerations

Growth potential The return, if any, on the Notes is based upon whether the Final Index Level is greater than or equal to the Initial Index Level.

Potential leverage in the increase, if any, in the Index The Notes may be an attractive investment for investors who have a bullish view of the Index in the short-term. If held to maturity, the Notes allow you to participate in [300]% of the potential increase in the Index, not to exceed the maximum return of [30]%, representing a [10]% increase in the Initial Index Level.

The potential return is currency neutral Changes in the Japanese yen/U.S. dollar currency exchange rate will not adversely affect the Cash Settlement Value.

Diversification Because the Index represents a broad spectrum of the Japanese equity market, the Notes may allow you to diversify an existing portfolio.

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

Selected Risk Considerations

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

Maximum return of [30]% You will not receive more than the maximum return of [30]% at maturity. Because the maximum return on the Notes is [30]%, the maximum Cash Settlement Value is $[1,300]. Therefore, the Cash Settlement Value will not reflect the increase in the value of the Notes if the Initial Index Level increases by more than [10]%.

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

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

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

KEY TERMS

Issuer:	The Bear Stearns Companies Inc.
Index:	Nikkei 225[SM] Index (index symbol "NKY") (the "Index"), as calculated, published and disseminated by NKS (the "Sponsor").
Face amount:	Each Note will be issued in minimum denominations of $1,000 and $1,000 multiples thereafter. The aggregate principal amount of the Notes being offered is $[ ]. When we refer to Note or Notes in this pricing supplement, we mean $1,000 principal amount of Notes.
Cash Settlement Value:	On the Maturity Date you will receive the Cash Settlement Value, an amount in cash that depends upon the relation of the Final Index Level to the Initial Index Level. If, at maturity, the Final Index Level is greater than or equal to the Initial Index Level, we will pay you the principal amount of the Notes, plus the lesser of: Thus, if the Final Index Level is greater than [110]% of the Initial Index Level, regardless of the extent to which the Final Index Level is greater than the Initial Index Level, we will pay you $[1,300] per Note, which represents a maximum return of [30]%. If, at maturity, the Final Index Level is less than the Initial Index Level, you will receive less and possibly significantly less, than the principal you invested. In this case, we will pay you, per Note: $1,000 x [300]%.
Interest:	The Notes will not bear interest.
Index Closing Level:	The closing value of the Index on each Index Business Day.
Initial Index Level:	Equals [ ], the closing value of the Index on November [ ], 2005, the closing value of the Index on the next Index Business Day [in Tokyo].
Final Index Level:	Will be determined by the Calculation Agent and will equal the closing value of the Index on May [ ], 2007, the Calculation Date. If that day is not an Index Business Day, the next Index Business Day will be the Calculation Date.
Maturity Date:	The Notes will mature on May [ ], 2007.
Exchange listing:	The Notes will not be listed on any securities exchange.
Index Business Day:	Will be a day, as determined by the Calculation Agent, on which the Index or any Successor Index is calculated and published and on which securities comprising more than 80% of the value of the Index on such day are capable of being traded on the relevant exchanges. All determinations made by the Calculation Agent will be at the sole discretion of the Calculation Agent and will be conclusive for all purposes and binding on us and the beneficial owners of the Notes, absent manifest error.

Offers and sales of the Notes are subject to restrictions in certain jurisdictions. The distribution of this pricing supplement, the accompanying prospectus supplement and prospectus and the offer or sale of the Notes in certain other jurisdictions may be restricted by law. Persons who come into possession of this pricing supplement, the accompanying prospectus supplement and prospectus or any Notes must inform themselves about and observe any applicable restrictions on the distribution of this pricing supplement, the accompanying prospectus supplement and prospectus and the offer and sale of the Notes.

QUESTIONS AND ANSWERS

What are the Notes?

The Notes are a series of our senior debt securities, the value of which is linked to the performance of the Index. The Notes will not bear interest, and no other payments will be made prior to maturity. See the section "Risk Factors."

The Notes are unsecured and will rank equally with all of our unsecured and unsubordinated debt. Because we are a holding company, the Notes will be effectively subordinated to the claims of creditors of our subsidiaries. At August 31, 2005:

we had outstanding (on an unconsolidated basis) approximately $51.1 billion of debt and other obligations, including approximately $46.8 billion of unsecured senior debt and senior obligations and $4.2 billion of unsecured inter-company debt; and

our subsidiaries had outstanding (after elimination of inter-company items) approximately $228.4 billion of senior debt and other senior obligations (including $65.6 billion related to securities sold under repurchase agreements, $75.5 billion related to payables to customers, $32.6 billion related to financial instruments sold, but not yet purchased, and $54.7 billion of other liabilities, including $25.7 billion of debt).

The Notes will mature on May [ ], 2007. The Notes do not provide for earlier redemption. When we refer to Notes in this pricing supplement, we mean Notes with a principal amount of $1,000. You should refer to the section "Description of Notes."

Are the Notes equity or debt securities?

The Notes are our unsecured debt securities. However, the Notes differ from traditional debt securities in that the Notes are not principal protected and offer the opportunity to participate in [300]% of the positive performance of the Index, if any, with a maximum return of [30]%. If, at maturity, the Final Index Level is less than the Initial Index Level, you will receive less and possibly significantly less, than the original public offering price of $1,000 per each $1,000 principal amount of Notes.

What will I receive at maturity of the Notes?

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

If, at maturity, the Final Index Level is greater than or equal to the Initial Index Level, we will pay you the principal amount of the Notes, plus the lesser of:

$1,000 x [300]%.

Thus, if the Final Index Level is greater than [110]% of the Initial Index Level, regardless of the extent to which the Final Index Level is greater than the Initial Index Level, we will pay you $[1,300] per Note, which represents a maximum return of [30]%.

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

The "Index Closing Level" equals the closing value of the Index on each Index Business Day.

The "Initial Index Level" equals [ ], the closing value of the Index on November [ ], 2005, the closing value of the Index on the next Index Business Day [in Tokyo].

The "Final Index Level" will be determined by the Calculation Agent and will equal the closing value of the Index on May [ ], 2007, the Calculation Date. If that day is not an Index Business Day, the next Index Business Day will be the Calculation Date.

The "Maturity Date" of the Notes is May [ ], 2007.

An "Index Business Day" will be a day, as determined by the Calculation Agent, on which the Index or any Successor Index is calculated and published and on which securities comprising more than 80% of the value of the Index on such day are capable of being traded on their relevant exchanges. All determinations made by the Calculation Agent will be at the sole discretion of the Calculation Agent, and will be conclusive for all purposes and binding on us and the beneficial owners of the Notes, absent manifest error.

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

Are the Notes principal protected?

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

Will I receive interest on the Notes?

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

What is the Index?

Unless otherwise stated, all information on the Index that is provided in this pricing supplement is derived from publicly available sources. The Index is a modified, price weighted stock index calculated, published and disseminated by NKS that measures the composite price performance of selected Japanese stocks. The Index is currently comprised of 225 stocks that trade on the Tokyo Stock Exchange (the "TSE") and represents a broad cross-section of Japanese industry. All 225 of the stocks underlying the Index are stocks listed in the First Section of the TSE.

Please note that an investment in the Notes does not entitle you to any ownership or other interest in the stocks of the companies included in the Index, and you will not receive any payments in respect of dividends that may be payable on those stocks.

For more information, see the section "Description of the Index."

How has the Index performed historically?

We have provided tables and graphs showing the quarterly highest/lowest daily Index Closing Levels and the end of quarter Index Closing Level of the Index for each quarter in the period from January 1, 2000 through September 30, 2005. You can find these tables in the section "Description of the Index Historical Data on the Index." We have provided this historical information to help you evaluate the behavior of the Index in various economic environments; however, past performance is not necessarily indicative of how the Index will perform in the future. You should refer to the section "Risk Factors The historical performance of the Index is not an indication of the future performance of the Index."

Will the Notes be listed on a securities exchange?

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

What is the role of Bear Stearns?

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

Bear Stearns also will be our Calculation Agent for purposes of calculating the Cash Settlement Value. Under certain circumstances, these duties could result in a conflict of interest between Bear Stearns' status as our subsidiary and its responsibilities as Calculation Agent. You should refer to "Risk Factors The Calculation Agent is one of our affiliates, which could result in a conflict of interest."

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

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

Who should consider purchasing the Notes?

Because the Notes are tied to the price performance of an underlying equity index, they may be appropriate for investors with specific investment horizons who seek to participate in the potential price appreciation of the underlying stocks comprising the Index. In particular, the Notes may be an attractive investment for investors who:

- want potential upside exposure to stocks underlying the Index;
- believe that the Index will increase over the term of the Notes and that such increase will not significantly exceed [30]%;
- are willing to risk the possible loss of 100% of their investment in exchange for the opportunity to participate in [300]% of the appreciation, if any, in the Index (up to the maximum return of [30]%), and
- are willing to forgo interest payments or dividend payments on the stocks underlying the Index.

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

- you seek full principal protection under all market conditions;
- you seek current income or dividend payments from your investment;
- you seek an investment that offers the possibility to fully participate in the potential appreciation of the Index;
- you seek an investment with an active secondary market;
- you are unable or unwilling to hold the Notes until maturity; or
- you do not have a bullish view of the Index over the term of the Notes.

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

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

Does ERISA impose any limitations on purchases of the Notes?

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

Are there any risks associated with my investment?

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

RISK FACTORS

Your investment in the Notes involves a degree of risk similar to investing in the Index. However, your ability to participate in the appreciation of the Index is limited to the maximum return on the Notes of [30]%. Therefore, the maximum Cash Settlement Value is $[1,300] and the Cash Settlement Value will not reflect the increase in the value of the Notes if the Initial Index Level increases by more than [10]%. You will be subject to significant risks not associated with conventional fixed-rate or floating-rate debt securities. Prospective purchasers of the Notes should recognize the possibility of a substantial loss with respect to their investment in the Notes. Prospective purchasers of the Notes should understand the risks of investing in the Notes and should reach an investment decision only after careful consideration, with their advisers, of the suitability of the Notes in light of their particular financial circumstances, the following risk factors and the other information set forth in this pricing supplement and the accompanying prospectus supplement and prospectus. These risks include the possibility that the Index will fluctuate, and the possibility that you will receive a substantially lower amount of principal. We have no control over a number of matters, including economic, financial, regulatory, geographical, judicial and political events, that are important in determining the existence, magnitude, and longevity of these risks and their impact on the value of, or the payment made on, the Notes.

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

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

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

You will not receive any periodic payments of interest or any other periodic payments on the Notes until maturity. On the Maturity Date, you will receive a payment per Note equal to the Cash Settlement Value. However, the overall return you earn on your Notes may be less than you would have earned by investing in a non-indexed debt security of comparable maturity that bears interest at a prevailing market rate and is principal protected. For more specific information about the Cash Settlement Value and for illustrative examples, you should refer to the section "Description of the Notes."

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

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

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

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

Your return cannot exceed [30]% over the term of the Notes regardless of the positive percentage increase of the Final Index Level.

If the Final Index Level appreciates by more than [10]%, the Cash Settlement Value you will receive will equal the sum of the principal amount of the Notes, plus the product of the principal amount of Notes and [30]%. Under these circumstances, the Cash Settlement Value you receive at maturity may not fully reflect the performance of the Index.

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

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

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

The historical performance of the Index, which is included in this pricing supplement, should not be taken as an indication of the future performance of the Index. While the trading prices of the underlying common stocks of the Index will determine the value of the Index, it is impossible to predict whether the value of the Index will fall or rise. Trading prices of the underlying common stocks of the Index will be influenced by the complex and interrelated economic, financial, regulatory, geographical, judicial, political and other factors that can affect the capital markets generally and the equity trading markets on which the underlying common stocks are traded, and by various circumstances that can influence the values of the underlying common stocks in a specific market segment or of a particular underlying stock.

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

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

The prices and performance of securities of companies in Japan may be affected by political, economic, financial and social factors in Japan. In addition, recent or future changes in Japan'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 negatively affect the Japanese securities markets. Moreover, the Japanese economy may differ favorably or unfavorably from that of the United States.

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

Although the stocks underlying the Index are traded in Japanese yen ("¥") and the Notes are denominated in U.S. dollars, the Cash Settlement Value will not be adjusted for the currency exchange rates in effect on the maturity date. Any amount in addition to the principal amount of each Note payable to you on the stated maturity date is based solely upon the percentage increase in the Index. Changes in exchange rates, however, may reflect changes in the Japanese economy, which in turn may affect the value of the Index and the Notes.

Time differences between Tokyo (Japan) and New York City may create discrepancies in the trading level of the Notes.

As a result of the time difference between Tokyo (which is currently 13 hours ahead of New York City), where the stocks underlying the Index trade, and New York City, where the Notes may trade, there may be discrepancies between the level of the Index and the trading prices of the Notes. In addition, there may be periods when the Japanese securities markets are closed for trading (for example during holidays in Japan), causing the level of the Index to remain unchanged for multiple New York City trading days.

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 Index, whether or not the Index Closing Level is greater than or equal to the Initial Index Level, changes in U.S. interest rates, the supply of and demand for the Notes and a number of other factors. Some of these factors are interrelated in complex ways; as a result, the effect of any one factor may be offset or magnified by the effect of another factor. The price, if any, at which you will be able to sell your Notes prior to maturity may be substantially less than the amount you originally invested if, at such time, the Index Closing Level is less than, equal to or not sufficiently above the Initial Index Level. The following paragraphs describe what we expect to be the impact on the trading value of the Notes with a change in a specific factor, assuming all other conditions remain constant.

Index performance. We expect that the value of the Notes prior to maturity will depend substantially on whether the Index Closing Level is greater than the Initial Index Level or the amount by which the Final Index Level at any given point in time is less than the Initial Index Level. If you decide to sell your Notes when the Index Closing Level exceeds the Initial Index Level, you may nonetheless receive substantially less than the amount that would be payable at maturity based on that Index level because of expectations that the Index level will continue to fluctuate until the Final Index Level is determined. Economic, financial, regulatory, geographical, judicial, political and other developments that affect the common stocks in the Index may also affect the Index level and, thus, the value of the Notes.

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

Interest rates. We expect that the trading value of the Notes will be affected by changes in U.S. interest rates. In general, if U.S. interest rates increase, the value of the Notes may decrease, and if U.S. interest rates decrease, the value of the Notes may increase. Interest rates may also affect the economy and, in turn, the value of the Index, which (for the reasons discussed above) would affect the value of the Notes. Rising interest rates may lower the value of the Index and, thus, the value of the Notes. Falling interest rates may increase the value of the Index and, thus, the value of the Notes. Furthermore, an increase in the interest rate differential between U.S. and Japanese interest rates may decrease the value of the Notes and a decrease in this differential may increase the value of the Notes.

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

Time remaining to maturity. As the time remaining to maturity of the Notes decreases, the "time premium" associated with the Notes will decrease. A "time premium" results from expectations concerning the value of the Index 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 and the supplemental return may be less sensitive to the volatility of the Index.

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

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

Volatility of the Japanese yen/U.S. dollar exchange rate. The Japanese yen/U.S. dollar exchange rate is a foreign exchange spot rate that measures the relative values of two currencies, the Japanese yen and the U.S. dollar (the "JPY/USD Rate"). The JPY/USD Rate is expressed as a rate that reflects the amount of Japanese yen that can be purchased for one U.S. dollar. The JPY/USD Rate increases when the U.S. dollar appreciates in relation to the Japanese yen and decreases when the U.S. dollar depreciates in relation to the Japanese yen. If the volatility of the JPY/USD Rate changes, the trading value of the Notes may be adversely affected.

Correlation between the JPY/USD Rate and the Index. Correlation is the term used to describe the relationship between the percentage changes in the JPY/USD Rate and the percentage changes in the Index. If the correlation between the JPY/USD Rate and the Index changes, the trading value of the Notes may be adversely affected.

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

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

Bear Stearns has advised us that they intend under ordinary market conditions to indicate prices for the Notes on request. However, we cannot guarantee that bids for outstanding Notes will be made in the future, nor can we predict the price at which those bids will be made.

We want you to understand that the impact 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 Index.

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

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

State law may limit interest paid.

New York State law governs the Indenture under which the Notes will be issued. New York has certain usury laws that limit the amount of interest that can be charged and paid on loans, which includes debt securities like the Notes. Under present New York law, the maximum rate of interest is 25% per annum, on a simple interest basis. This limit may not apply to debt securities in which $2,500,000 or more has been invested.

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.

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

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

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

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

The Sponsor is responsible for calculating and maintaining the Index. The policies of the Sponsor concerning the calculation of the Index will affect the value of the Index and, therefore, will affect the trading value of the Notes and the Cash Settlement Value.

If the Sponsor discontinues or suspends calculation or publication of the Index, it may become difficult to determine the trading value of the Notes or the Cash Settlement Value. If this occurs, the Calculation Agent will determine the value of the Notes in its sole discretion. As a result, the Calculation Agent's determination of the value of the Notes will affect the amount you will receive at maturity. In addition, if the Sponsor discontinues or suspends calculation of the Index at any time prior to the Maturity Date and a Successor Index is not available or is not acceptable to the Calculation Agent in its sole discretion, then the Calculation Agent will determine the amount payable on the Maturity Date by reference to a group of stocks and a computation methodology that the Calculation Agent determines in its sole discretion will as closely as reasonably possible replicate the Index. The value of the Index is only one of the factors that will affect this determination and the value of the Notes prior to maturity. See "Description of the Notes Discontinuance of the Index" and "Description of the Index."

The Sponsor may change the companies underlying the Index in a way that adversely affects the Index level and consequently the value of the Notes.

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

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

We are not affiliated with any of the other companies whose stock underlies the Index. Actions by any company whose stock is part of the Index may have an adverse effect on the price of its stock, the trading price of and the closing level of the Index, and the trading value of the Notes. These companies are not involved in this offering and have no obligations with respect to the Notes, including any obligation to take our or your interests into consideration for any reason. These companies will not receive any of the proceeds of this offering and are not responsible for, and have not participated in, the determination of the timing of, prices for, or quantities of, the Notes to be issued. These companies are not involved with the administration, marketing or trading of the Notes and have no obligations with respect to the amount to be paid to you on the Maturity Date.

We are not affiliated with any company included in the Index and are not responsible for any disclosure by any such company. However, we may currently, or in the future, engage in business with such companies. Neither we nor any of our affiliates, including Bear Stearns, assumes any responsibility for the adequacy or accuracy of any publicly available information about the Index or any company included in the Index. You should make your own investigation into the Index and the companies underlying the Index.

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

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

Trading and other transactions by us or our affiliates could affect the prices of the stocks underlying the Index, the level of the Index, the trading value of the Notes or the Cash Settlement Value.

We and our affiliates may from time to time buy or sell shares of the stocks underlying the Index or derivative instruments related to those stocks for our own accounts in connection with our normal business practices or in connection with hedging our obligations under the Notes. These trading activities may present a conflict of interest between your interest in the Notes and the interests we and our affiliates may have in our proprietary accounts, in facilitating transactions, including block trades, for our other customers and in accounts under our management. The transactions could affect the prices of those stocks or the level of the Index in a manner that would be adverse to your investment in the Notes. See the section "Use of Proceeds and 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 BSIL's expected cost of providing such hedge and the profit BSIL expects to realize in consideration for assuming the risks inherent in providing such hedge. As a result, assuming no change in market conditions or any other relevant factors, the price, if any, at which Bear Stearns will be willing to purchase Notes from you in secondary market transactions, if at all, will likely be lower than the original issue price. In addition, any such prices may differ from values determined by pricing models used by Bear Stearns as a result of such compensation or other transaction costs.

Hedging activities we or BSIL may engage in may affect the level of the Index and, accordingly, increase or decrease the trading value of the Notes prior to maturity and the Cash Settlement Value you would receive at maturity. To the extent that we or any of our affiliates has a hedge position in any of the stocks that comprise the Index, or derivative or synthetic instruments related to those stocks or the Index, we or any of our affiliates may liquidate a portion of such holdings at or about the time of the maturity of the Notes or at or about the time of a change in the stocks that underlie the Index. Depending on, among other things, future market conditions, the aggregate amount and the composition of the positions are likely to vary over time. Although we have no reason to believe that any of those activities will have a material impact on the level of the Index, we cannot assure you that these activities will not affect such level and the trading value of the Notes prior to maturity or the Cash Settlement Value payable at maturity.

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

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

We or one or more of our affiliates have published, and may in the future publish, research reports on the Index or the companies included in the Index. 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 common stocks included in the Index and, therefore, the value of the Notes.

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

In addition, we or one or more of our affiliates may, at present or in the future, engage in business with the companies included in the Index, including making loans to or equity investments in those companies or providing investment banking, asset management or other advisory services to those companies. These activities may present a conflict between us, our affiliates and you. In the course of that business, we or any of our affiliates may acquire non-public information about one or more of the companies included in the Index. If we or any of our affiliates do acquire such non-public information, we are not obligated to disclose such non-public information to you.

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

If the Calculation Agent determines that, on the Calculation Date, a Market Disruption Event has occurred or is continuing, the determination of the value of the Index by the Calculation Agent may be deferred. You should refer to the section "Description of the Notes Market Disruption Events."

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

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

DESCRIPTION OF THE NOTES

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

General

The Notes are part of a single series of debt securities under the Indenture described in the accompanying prospectus supplement and prospectus designated as Medium-Term Notes, Series B. The Notes are unsecured and will rank equally with all of our unsecured and unsubordinated debt, including the other debt securities issued under the Indenture. Because we are a holding company, the Notes will be effectively subordinated to the claims of creditors of our subsidiaries. At August 31, 2005:

- we had outstanding (on an unconsolidated basis) approximately $51.1 billion of debt and other obligations, including approximately $46.8 billion of unsecured senior debt and senior obligations and $4.2 billion of unsecured inter-company debt; and

- our subsidiaries had outstanding (after elimination of inter-company items) approximately $228.4 billion of senior debt and other senior obligations (including $65.6 billion related to securities sold under repurchase agreements, $75.5 billion related to payables to customers, $32.6 billion related to financial instruments sold, but not yet purchased, and $54.7 billion of other liabilities, including $25.7 billion of debt).

The aggregate principal amount of the Notes will be $[ ]. The Notes will mature on May [ ], 2007 and do not provide for earlier redemption. The Notes will be issued only in fully registered form, and in minimum denominations of $1,000. Initially, the Notes will be issued in the form of one or more global securities registered in the name of DTC or its nominee, as described in the accompanying prospectus supplement and prospectus. When we refer to Note or Notes in this pricing supplement, we mean $1,000 principal amount of Notes. The Notes will not be listed on any securities exchange. You should refer to the section "Description of the Notes."

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

Interest

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

Payment at Maturity

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

If, at maturity, the Final Index Level is greater than or equal to the Initial Index Level, we will pay you the principal amount of the Notes, plus the lesser of:

$1,000 x [300]%.

Thus, if the Final Index Level is greater than [110]% of the Initial Index Level, regardless of the extent to which the Final Index Level is greater than the Initial Index Level, we will pay you $[1,300] per Note, which represents a maximum return of [30]%.

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

The "Index Closing Level" equals the closing value of the Index on each Index Business Day.

The "Initial Index Level" Equals [ ], the closing value of the Index on November [ ], 2005, the closing value of the Index on the next Index Business Day [in Tokyo].

The "Final Index Level" will be determined by the Calculation Agent and will equal the closing value of the Index on May [ ], 2007, the Calculation Date. If that day is not an Index Business Day, the next Index Business Day will be the Calculation Date.

The "Maturity Date" of the Notes is May [ ], 2007.

An "Index Business Day" will be a day, as determined by the Calculation Agent, on which the Index or any Successor Index is calculated and published and on which securities comprising more than 80% of the value of the Index on such day are capable of being traded on their relevant exchanges. All determinations made by the Calculation Agent will be at the sole discretion of the Calculation Agent and will be conclusive for all purposes and binding on us and the beneficial owners of the Notes, absent manifest error.

Illustrative Examples

The following tables and graphs were constructed using historical data on the Index. The historical data is for illustrative purposes and is not indicative of the future performance of the Index or the future value of the Notes. Any historical upward or downward trend in the value of the Index during any period set forth below is not an indication that the Index is more or less likely to increase or decrease at any time during the term of the Notes.

The examples do not purport to be representative of every possible scenario concerning increases or decreases in the Index. You should not construe these examples or the data included in table and graph as an indication or assurance of the expected performance of the Notes.

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

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

Investor holds the Notes to maturity.

The Initial Index Level is equal to [13,100].

All returns are based on an 18 month term; pre-tax basis.

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

Example 1: The Final Index Level is greater than the Initial Index Level.

In this example, the Index generally rises over the term of the Note. On the calculation date, the Final Index Level is 13,493, representing a 3.00% gain from the initial index level. In this example, using the formula below, the cash settlement value will equal $1,090.

Example 2: The Final Index Level is greater than 10% of the Initial Index Level, exceeding the maximum return.

In this example, the Index generally rises over the term of the Note. On the calculation date, the Final Index Level is 16,375, representing a 25.00% gain from the initial index level. In this example, using the formula below, the cash settlement value will equal $1,300.

Example 3: The Final Index Level is equal to the Initial Index Level.

In this example, the Index generally remains unchanged over the term of the Note. On the Calculation Date, the Final Index Level is 13,100, equal to the Initial Index Level. In this example, using the formula below, the Cash Settlement Value will equal $1,000.

Example 4: The Final Index Level is less than the Initial Index Level.

In this example, the Index declines over the term of the Notes. The Final Index Level is 9,825, representing a 25% loss in the value of the Index from the Initial Index Level. The cash settlement value, using the formula below, will equal $750.

Summary of Examples 1 Through 4
Reflecting the Cash Settlement Value

	Example 1	Example 2	Example 3	Example 4
Initial Index Level	13,100	13,100	13,100	13,100
Hypothetical Final Index Level	13,493	16,375	13,100	9,825
Value of Final Index Level relative to the Initial Index Level	Higher	Higher	Equal	Lower
Principal protected?	Yes	Yes	Yes	No
Cash Settlement Value per Note	$ 1,090	$ 1,300	$ 1,000	$ 750

Table of Hypothetical Cash Settlement Values

Initial Index Level	Final Index Level	Percentage Change in Index	Cash Settlement Value Per Note	Return if Held to Maturity	Initial Index Level	Final Index Level	Percentage Change in Index	Cash Settlement Value Per Note	Return if Held to Maturity
13,100	24,200	84.73%	$1,300.00	30.00%	13,100	13,000	-0.76%	$992.37	-0.76%
13,100	23,200	77.10%	$1,300.00	30.00%	13,100	12,900	-1.53%	$984.73	-1.53%
13,100	22,200	69.47%	$1,300.00	30.00%	13,100	12,800	-2.29%	$977.10	-2.29%
13,100	21,200	61.83%	$1,300.00	30.00%	13,100	12,700	-3.05%	$969.47	-3.05%
13,100	20,200	54.20%	$1,300.00	30.00%	13,100	12,600	-3.82%	$961.83	-3.82%
13,100	19,200	46.56%	$1,300.00	30.00%	13,100	12,500	-4.58%	$954.20	-4.58%
13,100	18,200	38.93%	$1,300.00	30.00%	13,100	12,400	-5.34%	$946.56	-5.34%
13,100	17,200	31.30%	$1,300.00	30.00%	13,100	12,300	-6.11%	$938.93	-6.11%
13,100	16,700	27.48%	$1,300.00	30.00%	13,100	12,200	-6.87%	$931.30	-6.87%
13,100	16,200	23.66%	$1,300.00	30.00%	13,100	12,100	-7.63%	$923.66	-7.63%
13,100	15,700	19.85%	$1,300.00	30.00%	13,100	12,000	-8.40%	$916.03	-8.40%
13,100	15,200	16.03%	$1,300.00	30.00%	13,100	11,900	-9.16%	$908.40	-9.16%
13,100	14,700	12.21%	$1,300.00	30.00%	13,100	11,800	-9.92%	$900.76	-9.92%
13,100	14,600	11.45%	$1,300.00	30.00%	13,100	11,700	-10.69%	$893.13	-10.69%
13,100	14,500	10.69%	$1,300.00	30.00%	13,100	11,600	-11.45%	$885.50	-11.45%
13,100	14,400	9.92%	$1,297.71	29.77%	13,100	11,500	-12.21%	$877.86	-12.21%
13,100	14,300	9.16%	$1,274.81	27.48%	13,100	11,000	-16.03%	$839.69	-16.03%
13,100	14,200	8.40%	$1,251.91	25.19%	13,100	10,500	-19.85%	$801.53	-19.85%
13,100	14,100	7.63%	$1,229.01	22.90%	13,100	10,000	-23.66%	$763.36	-23.66%
13,100	14,000	6.87%	$1,206.11	20.61%	13,100	9,500	-27.48%	$725.19	-27.48%
13,100	13,900	6.11%	$1,183.21	18.32%	13,100	9,000	-31.30%	$687.02	-31.30%
13,100	13,800	5.34%	$1,160.31	16.03%	13,100	8,000	-38.93%	$610.69	-38.93%
13,100	13,700	4.58%	$1,137.40	13.74%	13,100	7,000	-46.56%		