

Ellington Financial LLC
 Form 10-Q
 November 06, 2015
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UNITED STATES
 SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549
 FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
 Commission file number 001-34569

Ellington Financial LLC
 (Exact Name of Registrant as Specified in Its Charter)

Delaware 26-0489289
 (State or Other Jurisdiction of Incorporation or Organization) (I.R.S. Employer Identification No.)

53 Forest Avenue, Old Greenwich, Connecticut 06870
 (Address of Principal Executive Office) (Zip Code)

(203) 698-1200
 (Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input checked="" type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at October 30, 2015
Common Shares Representing Limited Liability Company Interests, no par value	33,417,118

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PART 1. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements (unaudited)

ELLINGTON FINANCIAL LLC

CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES, AND EQUITY

(UNAUDITED)

	September 30, 2015	December 31, 2014
(In thousands except share amounts)	Expressed in U.S. Dollars	
ASSETS		
Cash and cash equivalents	\$ 139,395	\$ 114,140
Restricted cash	5,580	—
Investments, financial derivatives, and repurchase agreements:		
Investments, at fair value (Cost – \$1,883,248 and \$2,122,326)	1,894,679	2,172,082
Financial derivatives—assets, at fair value (Net cost – \$60,525 and \$61,560)	73,994	80,029
Repurchase agreements (Cost – \$110,060 and \$172,001)	109,591	172,001
Total investments, financial derivatives, and repurchase agreements	2,078,264	2,424,112
Due from brokers	163,066	146,965
Receivable for securities sold and financial derivatives	909,106	1,237,592
Interest and principal receivable	25,794	20,611
Other assets	2,727	1,935
Total Assets	\$3,323,932	\$3,945,355
LIABILITIES		
Investments and financial derivatives:		
Investments sold short, at fair value (Proceeds – \$985,360 and \$1,290,091)	\$987,755	\$1,291,370
Financial derivatives—liabilities, at fair value (Net proceeds – \$48,316 and \$33,555)	70,925	66,116
Total investments and financial derivatives	1,058,680	1,357,486
Reverse repurchase agreements	1,372,794	1,669,433
Due to brokers	2,831	22,224
Payable for securities purchased and financial derivatives	121,645	98,747
Securitized debt (Proceeds – \$499 and \$749)	503	774
Accounts payable and accrued expenses	2,807	2,798
Base management fee payable	2,849	2,963
Interest and dividends payable	2,185	2,386
Other liabilities	1,297	—
Total Liabilities	2,565,591	3,156,811
EQUITY	758,341	788,544
TOTAL LIABILITIES AND EQUITY	\$3,323,932	\$3,945,355
Commitments and contingencies (Note 15)		
ANALYSIS OF EQUITY:		
Common shares, no par value, 100,000,000 shares authorized; (33,417,118 and 33,449,678 shares issued and outstanding)	\$742,494	\$772,811
Additional paid-in capital – LTIP units	9,591	9,344
Total Shareholders' Equity	752,085	782,155
Non-controlling interests	6,256	6,389
Total Equity	\$758,341	\$788,544
PER SHARE INFORMATION:		
Common shares	\$22.51	\$23.38

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT SEPTEMBER 30, 2015
(UNAUDITED)

Current Principal	Description	Rate	Maturity	Fair Value
(In thousands)				Expressed in U.S. Dollars
	Long Investments (249.85%) (a) (b) (ag)			
	Mortgage-Backed Securities (214.00%)			
	Agency Securities (168.31%) (c)			
	Fixed Rate Agency Securities (163.09%)			
	Principal and Interest—Fixed Rate Agency Securities (154.68%)			
	North America			
	Mortgage-related—Residential			
\$ 182,200	Federal Home Loan Mortgage Corporation Pools (30 Year)	4.00%	9/42 - 10/45	\$ 195,754
175,990	Federal National Mortgage Association Pools (30 Year)	4.00%	8/42 - 10/45	189,452
138,711	Federal National Mortgage Association Pools (30 Year)	4.50%	10/41 - 10/45	152,082
96,297	Federal National Mortgage Association Pools (30 Year)	3.50%	10/42 - 10/45	100,859
68,133	Federal Home Loan Mortgage Corporation Pools (30 Year)	4.50%	9/43 - 8/45	74,869
58,365	Federal National Mortgage Association Pools (30 Year)	5.00%	10/35 - 12/44	64,851

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54,325	Federal National Mortgage Association Pools (15 Year)	3.50%	3/28 - 10/30	57,797
52,023	Federal Home Loan Mortgage Corporation Pools (30 Year)	3.50%	1/42 - 8/45	54,456
45,396	Government National Mortgage Association Pools (30 Year)	4.00%	6/45 - 9/45	48,793
31,865	Federal National Mortgage Association Pools (15 Year)	3.00%	4/30 - 10/30	33,321
22,214	Federal Home Loan Mortgage Corporation Pools (15 Year)	3.50%	9/28 - 9/30	23,620
18,534	Government National Mortgage Association Pools (30 Year)	4.50%		

waive any past default under the Junior Subordinated Indenture;

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cancel an acceleration of the principal of the corresponding Junior Subordinated Notes; or

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agree to any change in the Junior Subordinated Indenture or the corresponding Junior Subordinated Notes, where the trustees approval is required;

without, in each case, obtaining the prior approval of the holders of at least a majority in the aggregate Liquidation Amount of all outstanding related Trust Preferred Securities. However, if the Junior Subordinated Indenture requires the consent of each holder of corresponding Junior Subordinated Notes that are affected to take such action, then the Property Trustee must get approval of all holders of Trust Preferred Securities.

The trustees cannot change anything previously approved by you without your approval to make the change. The Property Trustee shall notify you of any notice of default relating to

the corresponding Junior Subordinated Notes.

In addition, before taking any of the actions described above, the trustees must obtain advice of Cadwalader, Wickersham & Taft LLP or an opinion of counsel experienced in these matters, stating that such actions will not have a material adverse affect on the U.S. federal income tax characterization of the Trust or on the U.S. federal

income tax treatment of any holder, as described in the Certain U.S. Federal Income Tax Considerations section of the applicable prospectus supplement.

Your vote or consent is not required for the Trust to redeem and cancel its Trust Preferred Securities under the Trust Agreement.

If your vote is taken or a consent is obtained, any Trust Preferred Securities that are owned by us, the trustees or any affiliate of either of us shall, for purposes of the vote or consent, be treated as if they were not outstanding.

Global Trust Preferred Securities

The Trust Preferred Securities of a series may be issued in whole or in part in the form of one or more global securities that will be deposited with, or on behalf of, a depository identified in the applicable prospectus supplement. The specific terms of the depository arrangements for a series of Trust Preferred Securities will be described in the applicable prospectus supplement. See *Book-Entry Procedures and Settlement*.

Payment and Paying Agents

Payments regarding the Trust Preferred Securities may be made to a depository, which shall credit the relevant accounts at the depository on the applicable distribution dates or, if any Trust Preferred Securities are not held by a depository, the payments shall be made by check mailed to the address of the holder entitled to it at the address listed in the register.

Unless otherwise specified in the applicable prospectus supplement, the paying agent shall initially be the Property Trustee. The paying agent shall be permitted to resign as paying agent with 30 days' written notice to the Property Trustee, the administrative trustees and to us. If the Property Trustee shall no longer be the paying agent, the administrative trustees shall appoint a successor (which shall be a bank or trust company acceptable to the Property Trustee and to us) to act as paying agent.

Registrar and Transfer Agent

Unless otherwise specified in the applicable prospectus supplement, the Property Trustee will act as registrar and transfer agent for the Trust Preferred Securities.

Registration of transfers of Trust Preferred Securities will be effected without charge by or on behalf of each Trust, after

payment of any tax or other governmental charges that are imposed in connection with any transfer or exchange. No transfers of Trust Preferred Securities called for redemption will be registered.

Information About the Property Trustee

The Property Trustee will perform only those duties that are specifically stated in each Trust Agreement. If an event of default arises or certain defaults occur and continue under a Trust Agreement, the Property Trustee must use the same degree of care and skill in the exercise of its duties as a prudent person would exercise or use in the conduct of his or her own affairs. The Property Trustee is under no obligation to exercise any of the powers given it by the applicable Trust Agreement at your request unless it is offered reasonable security or indemnity against the costs, expenses and liabilities that it might incur.

If no event of default under a Trust Agreement has occurred and is continuing, and the Property Trustee is required to decide between alternative courses of action, construe ambiguous provisions in the applicable Trust Agreement or is unsure of the application of any provisions of the applicable Trust Agreement, and the matter is not one on which you are entitled to vote, then the Property Trustee shall:

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take some action as directed by us; and

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if not so directed, take whatever action the Property Trustee deems necessary and will have no liability except for its own bad faith, negligence or willful misconduct.

DESCRIPTION OF THE GUARANTEE OF THE TRUST PREFERRED SECURITIES

General

We will execute a guarantee, for your benefit as a holder of Trust Preferred Securities at the same time that a Trust issues its Trust Preferred Securities. The guarantee trustee will hold the guarantee for your benefit as a holder of the Trust Preferred Securities. The guarantee will be qualified as an indenture under the TIA. This section summarizes the material terms and provisions of the guarantee. Because this is only a summary, it does not contain all of the details found in the full text of the guarantee. If you would like additional information you should read the form of guarantee agreement, which is filed as an exhibit to the Registration Statement relating to this prospectus.

Guarantee Payments

In the applicable guarantee, we will irrevocably and unconditionally agree to pay in full on a junior subordinated basis, guarantee payments to the holders of Trust Preferred Securities, as and when due, regardless of any defense, right of setoff or counterclaim that we, in our capacity as guarantor, may have or assert. The following payments with respect to the Trust Preferred Securities, to the extent not paid by or on behalf of the Trust, will be subject to the guarantee:

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any accumulated and unpaid distributions required to be paid on the Trust Preferred Securities, solely to the extent that the Trust has funds on hand legally and immediately available to make the payment;

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the applicable redemption price and all accumulated and unpaid distributions to the redemption date with respect to any Trust Preferred Securities called for redemption, to the extent that the Trust has funds on hand legally and immediately available to make the payment; and

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upon a voluntary or involuntary dissolution, winding-up or liquidation of a Trust (other than in connection with the distribution of the Junior Subordinated Notes held by a Trust to holders of the Trust Preferred Securities), the lesser of:

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the aggregate of the liquidation amount and all accumulated and unpaid distributions on the Trust Preferred Securities, to the extent such Trust has funds legally and immediately available; and

-

the amount of assets of a Trust remaining available for distribution to holders of the Trust Preferred Securities after satisfaction of liabilities to creditors of such Trust as required by applicable law.

Our obligation to make a guarantee payment may be satisfied by direct payment of the required amounts to the holders of the Trust Preferred Securities or by causing the Trust to pay those amounts to those holders.

The guarantee will be a guarantee of payment (and not of collection) with respect to the Trust Preferred Securities from the time of issuance of the Trust Preferred Securities, but will not apply to distributions and other payments on the Trust Preferred Securities when a Trust does not have sufficient funds legally and immediately available to make those distributions or other payments. Therefore, if we do not make interest payments on the Junior Subordinated Notes held by the Property Trustee, the Trust will not make distributions on the Trust Preferred Securities.

Through the guarantee, the Trust Agreement, the Junior Subordinated Notes and the Junior Subordinated Indenture, taken together, we will fully, irrevocably and unconditionally guarantee all of the Trust's obligations under the Trust Preferred Securities to the extent a Trust has funds available, but fails to make, payments when due. See *Relationship Among the Trust Preferred Securities, the Junior Subordinated Notes and the Guarantee of Trust Preferred Securities*.

Status of the Guarantee

The guarantee will constitute an unsecured obligation and will be subordinate and junior in right of payment to the extent set forth in the guarantee to all of our senior indebtedness and *pari passu* in right of payment to the Junior Subordinated Notes.

In addition, in the event of any payment or distribution of assets to creditors upon our liquidation, dissolution, winding up, reorganization, or in connection with an insolvency,

receivership or bankruptcy proceeding, the guarantee might not cover the payment of distributions on the Trust Preferred Securities corresponding to deferred interest on the Junior Subordinated Notes.

Our obligations under the guarantee will be structurally subordinated to all indebtedness and other liabilities of our subsidiaries. In the event of an insolvency, liquidation, bankruptcy proceeding or other reorganization of any subsidiary, all the existing and future liabilities of our subsidiaries, including any claims of lessors under capital and operating leases, trade creditors and holders of preferred stock of those subsidiaries have the right to be satisfied prior to our receipt of any payment on account of our status as a stockholder of our subsidiaries. The guarantee does not limit us or any of our subsidiaries from incurring or issuing other secured or unsecured debt, including senior indebtedness, whether under the indenture or any other the Junior Subordinated Indenture that we may enter into in the future or otherwise.

Guarantee Events of Default

An event of default under the guarantee will occur upon our failure to perform any of our guarantee payment obligations thereunder. The holders of a majority in liquidation amount of the Trust Preferred Securities will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the guarantee trustee in respect of the guarantee or to direct the exercise of any trust or power conferred upon the guarantee trustee under the guarantee.

If the guarantee trustee fails to enforce the guarantee, any holder of the Trust Preferred Securities may institute a legal proceeding directly against us to enforce its rights under the guarantee without first instituting a legal proceeding against the Trust, the guarantee trustee or any other person or entity.

As guarantor, we will be required to file annually with the guarantee trustee a certificate as to whether or not we are in compliance with all the conditions and covenants applicable to us under the guarantee.

Amendments and Assignment

Except with respect to any changes that do not materially and adversely affect the rights of holders of the Trust Preferred Securities (in which case no consent will be required), the guarantee may be amended only with the prior approval of the holders of not less than a majority of the liquidation amount of the outstanding Trust Preferred Securities. All guarantees and agreements contained in the guarantee will bind our successors, assigns, receivers, trustees and representatives and shall inure to the benefit of the holders of the Trust Preferred Securities then outstanding. Except in connection with our consolidation or merger or a conveyance,

transfer or lease by of substantially all of our assets, we may not assign our rights or delegate our obligations under the guarantee without the prior approval of the holders of not less than a majority of the liquidation amount of the outstanding Trust Preferred Securities.

Termination of the Guarantee

The guarantee will terminate and be of no further force and effect upon:

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full payment of the applicable redemption price of all Trust Preferred Securities; or

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upon liquidation of the Trust, the full payment of the liquidation distribution or the distribution of the Junior Subordinated Notes to the holders of the Trust Preferred Securities.

Information Concerning the Guarantee Trustee

Other than during the occurrence and continuance of our default in performance of the guarantee, the guarantee trustee will undertake to perform only those duties as are specifically set forth in the guarantee and, in case a default with respect to the guarantee has occurred, must exercise the same degree of care and skill as a prudent person would exercise or use in the conduct of his or her own affairs. Subject to this provision, the guarantee trustee will be under no obligation to exercise any of the powers vested in it by the guarantee at the request of any holder of the Trust Preferred Securities unless the guarantee trustee is offered indemnity satisfactory to it against the costs, expenses and liabilities that might be incurred thereby.

Governing Law

The guarantee will be governed by and construed in accordance with the laws of the State of New York.

**RELATIONSHIP AMONG THE TRUST PREFERRED
SECURITIES,
THE JUNIOR SUBORDINATED NOTES AND THE
GUARANTEE**

Full and Unconditional Guarantee

Taken together, our obligations under the Junior Subordinated Notes, the Junior Subordinated Indenture, the Trust Agreement and the guarantee provide, in the aggregate, a full, irrevocable and unconditional guarantee of payments of distributions and other amounts due on the Trust Preferred Securities, to the extent described in the applicable prospectus supplement. No single document standing alone or operating in conjunction with fewer than all of the other documents constitutes that guarantee. It is only the combined operation of these documents that has the effect of providing a full, irrevocable and unconditional guarantee of the Trust's obligations under its Trust Preferred Securities, to the extent described in the applicable prospectus supplement. If and to the extent that we do not make payments on the Junior Subordinated Notes, the Trust will not pay distributions or other amounts due on the Trust Preferred Securities. The guarantee does not cover payment of distributions when the Trust does not have sufficient funds to pay those distributions. In that event, a holder of Trust Preferred Securities may institute a direct action directly against us to enforce payment of those distributions to that holder after the respective due dates.

Sufficiency of Payments

As long as payments of interest and other payments are made when due on the Junior Subordinated Notes, those payments will be sufficient to cover distributions and other payments due on the Trust Preferred Securities, primarily because:

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the aggregate principal amount of the Junior Subordinated Notes is equal to the sum of the aggregate stated liquidation amount of the Trust Preferred Securities and trust common securities;

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the interest rate and interest and other payment dates on the Junior Subordinated Notes match the distribution rate and distribution and other payment dates for the Trust Preferred Securities;

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we will pay for any and all costs, expenses and liabilities of a Trust except such Trust's obligations to holders of the Trust Preferred Securities under those Trust Preferred Securities; and

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the Trust Agreement provides that the Trust will not engage in any activity that is not consistent with the limited purpose of the Trust.

Notwithstanding anything to the contrary in the Junior Subordinated Indenture, we have the right to set-off any payment we are otherwise required to make under the Junior Subordinated Indenture with and to the extent we have theretofore made, or are concurrently on the date of that payment making, a payment under the guarantee.

Enforcement Rights of Holders of Trust Preferred Securities

If the guarantee trustee fails to enforce the guarantee after a holder has made a written request for the guarantee trustee to do so or if we fail to make a guarantee payment, a holder of any Trust Preferred Security may institute a legal proceeding directly against us to enforce its rights under the guarantee without first instituting a legal proceeding against the guarantee trustee, the Trust or any other person or entity.

A holder may institute a direct action against us to enforce its rights under the Trust Agreement only if a trust event of default has occurred and is continuing and is attributable to our failure to pay interest or principal on the Junior Subordinated Notes on the date that interest or principal is otherwise payable.

A default or event of default under any of our senior indebtedness will not constitute a Junior Subordinated Indenture event of default. In addition, in the event of payment defaults under, or acceleration of, our senior indebtedness, the subordination provisions of the Junior Subordinated Indenture provide that no payments may be made in respect of the Junior Subordinated Notes until that senior indebtedness has been paid in full or any payment default thereunder has been cured or waived. Failure to make required payments on the Junior Subordinated Notes would constitute a Junior Subordinated Indenture event of default, but under the subordination provisions, no payment on the Junior Subordinated Notes could be made unless holders of

our senior indebtedness are paid in full.

BOOK-ENTRY PROCEDURES AND SETTLEMENT

The Depository Trust Company

Unless otherwise indicated in the applicable prospectus supplement, the Trust Preferred Securities and the Junior Subordinated Notes will be issued only in book-entry form. This means that we and the Trusts will not issue certificates to holders. Instead, ownership of the Trust Preferred Securities and the Junior Subordinated Notes will be represented by one or more global certificates that will be registered in the name of The Depository Trust Corporation, New York, New York (DTC), the securities depository, Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. This form will be referred to as book-entry only.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code, and a clearing agency registered under Section 17A of the Exchange Act. DTC holds and provides asset servicing for over two million issues of United States and non-United States equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that its participants deposit with DTC. DTC also facilitates the post-trade settlement among direct participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between direct participants. This eliminates the need for physical movement of certificates representing securities. Participants include both United States and non-United States securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (DTCC). DTCC, in turn, is owned by a number of participants of DTC and members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, also subsidiaries of DTCC, as well as by NYSE Group, Inc., the American Stock Exchange LLC, and the NASD. Access to the DTC system is also available to others such as both United States and non-United States securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a participant, either directly or indirectly. The DTC rules applicable to its participants are on file with the SEC.

Generally, one fully registered global certificate will be issued for each series of the Trust Preferred Securities and the Junior Subordinated Notes, representing in the aggregate, the total number of such series of Trust Preferred Securities or aggregate principal balance of Junior Subordinated Notes, respectively. These global certificates will be deposited with the Property Trustee as custodian for DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of the issue.

Purchases of Trust Preferred Securities or Junior Subordinated Notes within the DTC system must be made by or through participants, including Euroclear and Cedel, which will receive a credit for the Trust Preferred Securities or Junior Subordinated Notes on DTC's records. The ownership interest of the actual purchaser of Trust Preferred Securities or Junior Subordinated Notes is in turn recorded separately on the records of the participants acting on behalf of the actual owners of the Trust Preferred Securities or Junior Subordinated Notes. Under book-entry only, none of the Company, the Trusts or DTC will issue certificates or written confirmations to individual beneficial holders of their purchases, except if the use of the book-entry system for the Trust Preferred Securities or Junior Subordinated Notes is discontinued.

Transfers

To facilitate subsequent transfers, all Trust Preferred Securities or Junior Subordinated Notes deposited with the Property Trustee as custodian for DTC are registered in the name of DTC, its partnership nominee Cede & Co., or such other name as may be requested by an authorized representative of DTC. Neither such deposit nor such registration will effect any change in ownership interests. Transfers of ownership interests in the securities are to be accomplished by entries made on the books of participants acting on behalf of the actual owners.

Transfers between participants are completed through the DTC system and are settled in same-day funds. Transfers between participants in Euroclear and Cedel will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Cross-Market Transfers

With respect to cross-market transfers between DTC participants and Euroclear or Cedel participants, such transfers will be effected in DTC in accordance with DTC's rules on behalf of Euroclear or Cedel by its respective depositary. These cross-market transactions will require the delivery of instructions to Euroclear or Cedel by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of Euroclear and Cedel. If the transaction meets the respective system's settlement requirements, Euroclear or Cedel, as applicable, will deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the Trust Preferred Securities or Junior Subordinated Notes in DTC. Only then will Euroclear or Cedel make or receive payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Both Euroclear and Cedel participants may not deliver instructions directly to the depositaries for Euroclear or Cedel.

Because of time zone differences involved in cross-market transfers, the securities account of a Euroclear or Cedel participant purchasing an interest in a Trust Preferred Security or Junior Subordinated Note from a DTC Participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Cedel) immediately following the DTC settlement date, and any such crediting will be reported to the relevant Euroclear or Cedel participant. Any cash received in Euroclear or Cedel as a result of sales of interests in a Preferred Security or Junior Subordinated Note by or through a Euroclear or Cedel participant to a DTC Participant will be received with value on the DTC settlement date, but will only be available in the relevant Euroclear or Cedel cash account as of the business day for Euroclear or Cedel following the DTC settlement date.

Record-Keeping and Notice

DTC will have no knowledge of the actual owners of the beneficial interests of the Trust Preferred Securities or Junior Subordinated Notes. Instead, DTC's records reflect only the identity of the participants to whose accounts such Trust Preferred Securities or Junior Subordinated Notes are credited, which may not be the owners of beneficial interests in the global securities. The participants will in turn keep account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to participants, by and among participants, and by participants to the owners of beneficial interests, and the voting rights of participants and owners of beneficial interests will be governed by arrangements among them, subject to any statutory or regulatory requirements.

Redemption notices will be sent to Cede & Co. (or such other applicable nominee) as the registered holder of the Trust Preferred Securities or Junior Subordinated Notes. If less than all of a Trust's Preferred Securities or Junior Subordinated Notes are being redeemed, DTC's current practice is to determine by lot the amount of the interest of each Participant to be redeemed.

Voting Rights

Although voting with respect to the Trust Preferred Securities or Junior Subordinated Notes is limited to the holders of record of the Trust Preferred Securities or Junior Subordinated Notes, in those instances in which a vote is required, neither DTC nor Cede & Co. (nor any other DTC nominee) will itself consent or vote with respect to the Trust Preferred Securities or Junior Subordinated Notes unless authorized by a participant in accordance with DTC's procedures. It is DTC's current practice to mail an omnibus proxy to the relevant Trustee as soon as possible after the specified record date. This omnibus proxy assigns Cede & Co.'s consenting or voting rights to those participants to whose accounts such Trust Preferred Securities or Junior Subordinated Notes are credited on the record date.

Distribution Payments

Distribution payments on the Trust Preferred Securities or Junior Subordinated Notes will be made by the relevant Trustee to DTC. When any payment of principal or interest is received, it is DTC's current practice to credit the respective Participant's account on the payment date according to their respective holdings of beneficial interests in the global securities as shown on DTC's records. Payments by participants to owners of beneficial interests in the global securities, and voting by participants, will be governed by the customary practices between the participants and owners of beneficial interests for customer accounts registered in street name. However, these payments will be the responsibility of the participants, and not of DTC, the relevant Trustee, the applicable Trust or the Company. Payment to DTC of Distributions is the responsibility of the relevant Trustee; payment to DTC of cash dividends

and other distributions is the responsibility of the Company. Disbursement of such payments to the participants is the responsibility of DTC, while disbursements of such payments to the owners of the beneficial interests is the responsibility of the participants.

The Company will wire principal and interest payments to DTC's nominee. The Company and the Trustee will treat DTC's nominee as the owner of the global securities for all purposes. Accordingly, neither the Company nor the Trustee is directly responsible or liable for amounts due on the securities to owners of the beneficial interests in the global securities.

Discontinuance of DTC Services

DTC may discontinue providing services as securities depository with respect to any of the Trust Preferred Securities or Junior Subordinated Notes, at any time by giving reasonable notice to the relevant Trustee and the Company. Trust Preferred Securities and Junior Subordinated Notes represented by a global security will be exchangeable for Trust Preferred Security or Debenture certificates with the same terms in authorized denominations only if:

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DTC notifies the Company that it is unwilling or unable to continue as depository or if DTC ceases to be a clearing agency registered under applicable law and a successor depository is not appointed by the Company within 90 days; or

-

the Company instructs the Trustee, at its option, that the global security is now exchangeable.

In addition, after an Event of Default on the Notes, the holders of a majority of the Liquidation Amount of Trust Preferred Securities or aggregate principal amount of Junior Subordinated Notes may determine to discontinue the system of book-entry transfers through DTC. In such case, definitive certificates for such Trust Preferred Securities or Junior Subordinated Notes will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Trusts and the Company believe to be accurate, including information obtained from DTC's website at <http://www.dtcc.com>, but the Trusts and the Company

assume no responsibility for the accuracy of such information. Neither the Trusts nor the Company has any responsibility for the performance by DTC or its participants of their respective obligations as described above or under the rules and procedures governing their respective operations.

PLAN OF DISTRIBUTION

We may sell the securities by any of the following methods:

- to underwriters (including Bear Stearns) or dealers, who may act directly or through a syndicate represented by one or more managing underwriters (including Bear Stearns);
- through broker-dealers (including Bear Stearns) we have designated to act on our behalf as agents;
- directly to one or more purchasers;
- directly to the public through Bear Stearns utilizing DAiSS(SM) (Dutch Auction internet Syndication System(SM)), a rules-based, proprietary, single-priced, modified Dutch Auction syndication system for the pricing and allocation of securities; or
- through a combination of any of these methods of sale.

Each prospectus supplement will describe the manner and terms of an offering of securities, including:

- the names of any underwriters, dealers, or agents;
- whether that offering is being made to underwriters or through agents or directly;
-

the rules and procedures for the auction process through
DAiSS(SM), if used;

-

any underwriting discounts, dealer concessions, agency
commissions and any other items that may be deemed to
constitute underwriters , dealers or agents compensation;

-

the securities purchase price or initial public offering price;

- the proceeds we anticipate from the sale of the securities; and
- any securities exchange on which the offered securities may be listed.

We may enter into derivative or other hedging transactions with financial institutions. These financial institutions may in turn engage in sales of securities to hedge their position, deliver this prospectus in connection with some or all of those sales and use the securities covered by this prospectus to close out any loan of securities or short position created in connection with those sales.

We may effect sales of securities in connection with forward sale agreements with third parties. Any distribution of securities pursuant to any forward sale agreement may be effected from time to time in one or more transactions that may take place through the NYSE, including block trades or ordinary broker's transactions, or through broker-dealers acting either as principal or agent, or through privately negotiated transactions, or through an underwritten public offering, or through a combination of any such methods of sale, at market prices prevailing at the time of sale, at prices relating to such prevailing market prices or at negotiated or fixed prices.

We may also sell securities short using this prospectus and deliver securities covered by this prospectus to close out any loan of securities or such short positions, or loan or pledge securities to financial institutions that in turn may sell the securities using this prospectus.

We may pledge or grant a security interest in some or all of the securities covered by this prospectus to support a derivative or hedging position or other obligation and, if we default in the performance of our obligations, the pledgees or secured parties may offer and sell the securities from time to time pursuant to this prospectus.

Distribution Through Underwriters

When securities are to be sold to underwriters, we will execute an underwriting agreement with them at the time of the sale and will name them in the prospectus supplement. Unless otherwise set forth in the applicable prospectus supplement, the underwriters' obligations to purchase those securities will be subject to certain conditions set forth in the

underwriting agreement. If the underwriters purchase any of the securities, they will be obligated to purchase all of the securities. The underwriters will acquire the securities for their own accounts as principal and may resell them, either directly to the public or to securities dealers, at various times in one or more transactions, including negotiated transactions, either at a fixed public offering price or at varying prices determined at the time of sale. The underwriters may sell the offered securities to or through dealers, and those dealers may receive discounts, concessions, or commissions from the underwriters as well as from the purchasers for whom they may act as agent.

Distribution Through Dealers

We may offer and sell securities from time to time to one or more dealers who would purchase the securities as principal. The dealers then may resell the offered securities to the public at fixed or varying prices to be determined by those dealers at the time of resale. We will set forth the names of the dealers and the terms of the transaction in the prospectus supplement. Any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers may be changed from time to time.

Distribution Through Agents

We may offer and sell securities on a continuous basis through agents that become parties to an underwriting or distribution agreement. We will name any agent involved in the offer and sale and describe any commissions payable by us in the prospectus supplement. Unless otherwise indicated in the prospectus supplement, the agent will be acting on a best efforts basis during the appointment period.

General Information

To the extent that any securities underwritten by Bear Stearns are not resold by Bear Stearns for an amount at least equal to their public offering price, the proceeds from the offering of those securities will be reduced. Until resold, any such preferred stock and depositary shares will be treated as if they were not outstanding. Bear Stearns intends to resell any of those securities at various times after the termination of the offering at varying prices related to prevailing market prices at the time of sale, subject to applicable prospectus delivery requirements.

Securities bought in accordance with a redemption or repayment under their terms also may be offered and sold, if so indicated in the applicable prospectus supplement, in connection with a remarketing by one or more firms acting as principals for their own accounts or as agents for us. Any remarketing firm will be identified and the terms of its agreement, if any, with us and its compensation will be described in the prospectus supplement. Remarketing firms may be deemed to be underwriters in connection with the securities remarketed by them.

If so indicated in the applicable prospectus supplement, we will authorize agents, underwriters or dealers to solicit offers by certain specified institutions to purchase securities at the public offering price set forth in the prospectus supplement pursuant to delayed delivery contracts providing for payment and delivery on a future date specified in the prospectus supplement. These contracts will be subject only to those conditions set forth in the applicable prospectus supplement, and the prospectus supplement will set forth the commissions payable for solicitation of these contracts.

Underwriters, dealers and agents participating in any distribution of securities may be deemed underwriters within the meaning of the Securities Act and any discounts or commissions they receive in connection with the distribution may be deemed to be underwriting compensation. Those underwriters and agents may be entitled, under their agreements with us, to indemnification by us against certain civil liabilities, including liabilities under the Securities Act, or to contribution by us to payments that they may be required to make in respect of those civil liabilities. Various of those underwriters or agents may be customers of, engage in transactions with or perform services for us or our affiliates in the ordinary course of business.

Following the initial distribution of any series of securities (and in the case of shares of preferred stock, subject to obtaining approval or exemption from the NYSE), Bear Stearns may offer and sell previously issued securities of that series at various times in the course of its business as a broker-dealer. Bear Stearns may act as principal or agent in those transactions. Bear Stearns will use this prospectus and the prospectus supplement applicable to those securities in connection with those transactions. Sales will be made at prices related to prevailing prices at the time of sale or at related or negotiated prices. Our other affiliates, including BSIL, may also engage in such transactions and may use this prospectus and any applicable prospectus supplement for such purpose.

In this prospectus, the terms "offering" means the initial offering of the securities made in connection with their original issuance. This term does not refer to any subsequent resales of securities in market-making transactions.

Information about the trade and settlement dates, as well as the purchase price, for a market-making transaction will be provided to the purchaser in a separate confirmation of sale. Unless we or an agent inform you in your confirmation of sale that your security is being purchased in its original offering and sale, you may assume that you are purchasing your security in a market-making transaction.

In order to facilitate the offering of certain securities under this Registration Statement or an applicable prospectus supplement, certain persons participating in the offering of those securities may engage in transactions that stabilize, maintain or otherwise affect the price of those securities during and after the offering of those securities. Specifically, if the applicable prospectus supplement permits, the underwriters of those securities may over-allot or otherwise create a short position in those securities for their own account by selling more of those securities than have been sold to them by us and may elect to cover any such short position by purchasing those securities in the open market.

In addition, the underwriters may stabilize or maintain the price of those securities by bidding for or purchasing those securities in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering are reclaimed if securities previously distributed in the offering are repurchased in connection with stabilization transactions or otherwise. The effect of these transactions may be to stabilize or maintain the market price of the securities at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of securities to the extent that it discourages resales of the securities. No representation is made as to the magnitude or effect of any such stabilization or other transactions. Such transactions, if commenced, may be discontinued at any time.

Each series of offered securities will be a new issue of securities and will have no established trading market. Any underwriters to whom offered securities are sold for public offering and sale may make a market in such offered securities, but such underwriters will not be obligated to do so and may discontinue any market-making at any time without notice. The offered securities may or may not be listed on a national securities exchange. No assurance can be given as to the liquidity or trading market for the offered

securities.

The underwriters, dealers and agents, and their affiliates may be customers of, engage in transactions with, or perform services for, us and our subsidiaries in the ordinary course of business.

This prospectus, the applicable prospectus supplement and any applicable pricing supplement in electronic format may be made available on the Internet sites of, or through other online services maintained by, us and/or one or more of the agents and/or dealers participating in an offering of securities, or by their affiliates. In those cases, prospective investors may be able to view offering terms online and, depending upon the particular agent or dealer, prospective investors may be allowed to place orders online.

Other than this prospectus, the applicable prospectus supplement and any applicable pricing supplement in electronic format, the information on our or any agent's or dealer's web site and any information contained in any other web site maintained by any agent or dealer is not part of this prospectus, the applicable prospectus supplement and any applicable pricing supplement or the registration statement of which they form a part; has not been approved or endorsed by us or by any agent or dealer in its capacity as an agent or dealer, except, in each case, with respect to the respective web site maintained by such entity; and should not be relied upon by investors.

We may from time to time offer securities directly to the public through Bear Stearns and may utilize DAiSS(SM), a rules-based, proprietary, single-priced, modified Dutch Auction syndication system for the pricing and allocation of such securities. DAiSS(SM) allows bidders to directly participate, through Internet access to an auction site, by submitting conditional offers to buy (each, a bid) that are subject to acceptance by the underwriter, and which may directly affect the price at which such securities are sold.

The final offering price at which securities will be sold and the allocation of securities among bidders will be based solely on the results of the auction, subject to possible stabilization activity previously described.

During an auction, DAiSS(SM) will present to each bidder, on a real-time basis, the clearing spread at which the offering would be sold, based on the bids submitted and not withdrawn, and whether a bidder's individual bids would be accepted, prorated or rejected. Upon completion of the auction, the offering price of the securities will be the lowest spread at which the aggregate dollar amount of bids submitted, and not removed, at that spread and lower spreads

equals or exceeds the size of the offering as disclosed in the prospectus supplement which is the final clearing spread. If DAiSS(SM) is utilized, prior to the auction we and Bear Stearns will establish minimum admissible bids, maximum quantity restrictions and other specific rules governing the auction process, all of which will be made available to bidders in the offering cul-de-sac and described in the prospectus supplement.

Bids at a lower spread than the final clearing spread will be fully allocated. Bids at the final clearing spread will be prorated based on the time of submission and pursuant to the allocation procedures in the auction rules. Bids above the final clearing spread will receive no allocation.

If an offering is made using DAiSS(SM) you should review the auction rules, as displayed in the offering cul-de-sac and described in the prospectus supplement, for a more detailed description of the offering procedures.

The maximum commission or discount to be received by any NASD member or independent broker-dealer will not be greater than eight percent of the gross proceeds from the sale of any security being sold in the initial distribution.

Because Bear Stearns and BSIL are our wholly owned subsidiaries, each distribution of securities will conform to the requirements set forth in Rule 2720 of the NASD Conduct Rules. Furthermore, any underwriters offering the offered securities will not confirm sales to any accounts over which they exercise discretionary authority without the prior approval of the customer.

ERISA CONSIDERATIONS

Each fiduciary of an employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (ERISA), a plan described in Section 4975 of the Code, including an individual retirement arrangement or a Keogh plan, a plan subject to provisions of applicable federal, state, local, non-U.S. or other laws, rules or regulations that are similar to the provisions of Title I of ERISA or Section 4975 of the Code (Similar Laws), and any entity whose underlying assets include plan assets by reason of any such employee benefit plan s or plan s investment in such entity under ERISA, Section 4975 of the Code or under any applicable federal, state, local, non-US or other laws (each a Plan) should consider the fiduciary responsibility and prohibited transaction provisions of ERISA, applicable Similar Laws and/or Section 4975 of the Code in the context of the Plan s particular circumstances before authorizing an investment in the Trust Preferred Securities. Accordingly, such a fiduciary should consider, among other factors, whether the Plan s investment in the Trust Preferred Securities would satisfy the prudence and diversification requirements of ERISA or any applicable Similar Law and would be consistent with the documents and instruments governing such Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit Plans subject to Title I of ERISA and/or Section 4975 of the Code (ERISA Plans) from engaging in certain transactions involving plan assets with persons who are parties in interest under ERISA or disqualified persons under the Code (Parties in Interest). A violation of these prohibited transaction provisions may result in an excise tax, penalty or other liabilities under ERISA and/or Section 4975 of the Code for such persons or, in the case of an individual retirement account, the occurrence of a prohibited transaction involving the individual who established the individual retirement account, or his or her beneficiaries, would cause the individual retirement account to lose its tax-exempt status, unless exemptive relief is available under an applicable statutory or administrative exemption. Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA or Section 4975(g)(3) of the Code) and foreign plans (as described in Section 4(b)(4) of ERISA) are not subject to the requirements of ERISA or Section 4975 of the Code, but may be subject to Similar Laws.

Under a regulation promulgated by the U.S. Department of Labor, as modified by Section 3(42) of ERISA (the Plan Asset Regulation), the assets of a Trust would be deemed to

be plan assets of an ERISA Plan for purposes of ERISA and/or Section 4975 of the Code if the assets of an ERISA Plan were used to acquire an equity interest in such Trust and no exception were applicable under the Plan Asset Regulation. An equity interest is defined under the Plan Assets Regulation as any interest in an entity other than an instrument treated as indebtedness under applicable local law and which has no substantial equity features. Under one such exception contained in the Plan Asset Regulation, the assets of the trust would not be deemed to be plan assets of investing ERISA plans if, immediately after the most recent acquisition of any equity interest in the Trust, less than 25% of the value of each class of equity interest were held by employee benefit plans subject to Title I of ERISA, plans subject to Section 4975 of the Code, and entities whose underlying assets are deemed to include plan assets of such employee benefit plans or plans (collectively, Benefit Plan Investors). Unless a particular prospectus supplement provides otherwise, no assurance can be given that the value of the Trust Preferred Securities held by Benefit Plan Investors will be less than 25% of the total value of such Trust Preferred Securities at the completion of the initial offering of the Trust Preferred Securities or thereafter, and no monitoring or other measures will be taken with respect to the satisfaction of the conditions to this exception.

Another exception to plan asset status is available under the Plan Assets Regulation with respect to publicly-offered securities. The exception is available in the case of a class of equity interests that are (i) widely held (*i.e.*, held by 100 or more investors who are independent of the issuer and each other), (ii) freely transferable, and (iii) either (a) part of a class of securities registered under Section 12(b) or 12(g) of the Securities Exchange Act of 1934, or (b) sold as part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act of 1933 and such class is registered under the Securities Exchange Act of 1934 within 120 days after the end of the fiscal year of the issuer during which the offering of such securities to the public occurred. Again, unless a prospectus supplement provides otherwise, there can be no assurance that this exception (or any of the other exceptions) set forth in the Plan Asset Regulation, will apply to the Trust Preferred Securities, and, as a result, under the terms of the Plan Asset Regulation, an investing ERISA Plan's assets could be considered to include an undivided interest in the assets held by a Trust, and transactions by a Trust could be subject to the fiduciary responsibility and prohibited transaction provisions of Title I of ERISA and the prohibited transaction provisions of Section 4975 of the Code.

Whether or not the assets of the Trust are considered to be plan assets of Plans investing in a Trust, there is a risk that the acquisition and holding of the Trust Preferred Securities with plan assets might be characterized as a direct or indirect prohibited transaction (*e.g.*, an indirect extension of credit to The Bear Stearns Companies Inc., issuer of the Junior Subordinated Notes). The Department of Labor has issued several prohibited transaction class exemptions, or PTCEs, that may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase, holding and disposition of Trust Preferred Securities. These class exemptions include PTCE

84-14 for certain transactions determined by independent qualified professional asset managers, PTCE 90-1 for certain transactions involving insurance company pooled separate accounts, PTCE 91-38 for certain transactions involving bank collective investment funds, PTCE 95-60 for certain transactions involving life insurance company general accounts, and PTCE 96-23 for certain transactions determined by in-house asset managers. It should also be noted that the Pension Protection Act of 2006 contains a new statutory exemption from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code for transactions involving certain parties in interest or disqualified persons who are such merely because they are a service provider to an ERISA Plan, or because they are related to a service provider. Generally, the new exemption would be applicable if the party to the transaction with the ERISA Plan is a Party in Interest to the ERISA Plan but is not (i) an employer, (ii) a fiduciary who has or exercises any discretionary authority or control with respect to the investment of the ERISA Plan assets involved in the transaction, (iii) a fiduciary who renders investment advice (within the meaning of ERISA and Section 4975 of the Code) with respect to those assets, or (iv) an affiliate of (i), (ii) or (iii). Any ERISA Plan fiduciary relying on this new statutory exemption (Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code) and purchasing securities on behalf of an ERISA Plan will be deemed to represent that (x) the fiduciary has made a good faith determination that the ERISA Plan is paying no more than, and is receiving no less than, adequate consideration in connection with the transaction and (y) neither the Bear Stearns Companies Inc., the entity from which the Trust Preferred Securities are purchased nor their respective affiliates directly or indirectly exercises any discretionary authority or control or renders investment advice (as defined above) with respect to the assets of the Plan which such fiduciary is using the purchase the Trust Preferred Securities, which are necessary preconditions to utilizing this new exemption. Any purchaser that is a Plan is encouraged to consult with counsel regarding the application

of the new exemption.

Accordingly, any purchaser or holder of the Trust Preferred Securities will be deemed to have represented and warranted by its acquisition and holding thereof that either (A) it is not a Plan and it is not acquiring Trust Preferred Securities on behalf of or with plan assets of any such Plan or (B) its acquisition and holding of the Trust Preferred Securities either (i) qualifies for exemptive relief under PTCE 84-14, 90-1, 91-38, 95-60 or 96-23 or another applicable statutory or administrative exemption or (ii) will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental or other plan, a non-exempt violation of any Similar Law).

The foregoing discussion is general in nature and is not intended to be inclusive. Consequently, and due to the complexity of the fiduciary responsibility and prohibited transaction rules described above and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the Trust Preferred Securities on behalf of or with plan assets of any Plan consult with their counsel prior to any such purchase regarding the potential applicability of ERISA, Section 4975 of the Code or any Similar Laws to such investment.

The sale of any security to a Plan is in no respect a representation by us or any of our affiliates that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for a Plan generally or any particular Plan.

LEGAL MATTERS

Unless otherwise indicated in a prospectus supplement, the validity of the Trust Securities will be passed upon by Richards, Layton & Finger P.A., Wilmington, Delaware, special Delaware counsel to the trusts. The validity of the Junior Subordinated Notes and Guarantees will be passed upon for us by Cadwalader, Wickersham & Taft LLP, New York, New York.

EXPERTS

The consolidated financial statements, the related financial statement schedule, and management's report on the effectiveness of internal control over financial reporting incorporated by reference in this Registration Statement from the Company's Annual Report on Form 10-K for the year ended November 30, 2005, as amended by Amendment No. 1 on form 10-K/A, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference (which reports (1) express an unqualified opinion on the consolidated financial statements and related financial statement schedule and include an explanatory paragraph referring to the adoption of Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation as amended by SFAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure, an amendment of FASB Statement No. 123, in 2003, discussed in Note 1 to the consolidated financial statements, (2) express an unqualified opinion on management's assessment regarding the effectiveness of internal control over financial reporting, and (3) express an unqualified opinion on the effectiveness of internal control over financial reporting), and have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

With respect to the unaudited interim financial information for the periods ended February 28, 2006 and 2005, May 31, 2006 and 2005 and August 31, 2006 and 2005 which is incorporated by reference in this Registration Statement, Deloitte & Touche LLP, an independent registered public accounting firm, have applied limited procedures in accordance with the standards of the Public Company Accounting Oversight Board (United States) for a review of such information. However, as stated in their reports included in the Company's Quarterly Reports on Form 10-Q for the quarters ended February 28, 2006, May 31, 2006 and August 31, 2006 and incorporated by reference herein, they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their reports on such information should be restricted in light of the limited nature of the review procedures applied. Deloitte & Touche LLP are not subject to the liability provisions of Section 11 of the Securities Act of 1933 for their reports on the unaudited interim financial information because those reports are not a report or a part of the Registration Statement prepared or certified by Deloitte & Touche LLP within the meaning of Sections 7 and 11 of the Act.

You should only rely on the information contained in this prospectus. We have not authorized anyone to provide you with information or to make any representation to you that is not contained in this prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. This is not an offer to sell these securities, nor an offer to buy these securities in any jurisdiction where the offer or sale is not permitted. You should not under any circumstances assume that the information in this prospectus is correct on any date after its respective dates.

**The Bear Stearns
Companies Inc.
Bear Stearns Capital
Trust IV
Bear Stearns Capital
Trust V**

**Junior Subordinated
Notes**

**Trust Preferred
Securities of Bear
Stearns Capital Trust
IV and Bear Stearns
Capital Trust V,
guaranteed, to the
extent set forth herein,
by The Bear Stearns
Companies Inc.**

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

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution.

The following table sets forth all expenses in connection with the issuance and distribution of the securities being registered. All amounts shown are estimated, except the SEC registration fee and the NASD filing fee.

SEC registration fee	*
Trustee's fees and expenses	\$ 20,000
Accounting fees	10,000
Legal fees and expenses	300,000
Printing and engraving fees	20,000
NASD filing fee	75,500
Miscellaneous	15,000

* In accordance with Rules 456(b) and 457(r) under the Securities Act, the Registrants are deferring payment of the registration fee. 440,500

Item 15. Indemnification of Directors and Officers.

Reference is made to Section 145 of the Delaware General Corporation Law which provides for indemnification of directors and officers in certain circumstances.

Article VIII of the registrant's Restated Certificate of Incorporation provides for indemnification of directors and officers of the registrant against certain liabilities incurred as a result of their duties as such and also provides for the elimination of the monetary liability of directors for certain actions as such. The registrant's Restated Certificate of Incorporation, as amended, is filed as Exhibit 4(a)(1) to the Registration Statement on Form S-3 (No. 333-57083) filed June 17, 1998, and the Certificate of Amendment of Restated Certificate of Incorporation, dated April 2, 2001, is filed as Exhibit 4(a)(2) to the Registration Statement on Form S-8 (No. 333-92357) filed June 14, 2001.

We, as registrant, have in effect reimbursement insurance for our directors' and officers' liability claims and directors' and officers' liability insurance indemnifying, respectively, ourselves and our directors and officers within specific limits for certain liabilities incurred, subject to the conditions and

exclusions and deductible provisions of the policies.

For the undertaking with respect to indemnification, see Item 17 in this prospectus.

Item 16. Exhibits.

Exhibit No.	Description	Incorporated by Reference to Filings Indicated
1(a)	Form of Underwriting Agreement for Trust Preferred Securities.	**
4(a)	Form of Junior Subordinated Indenture between The Bear Stearns Companies and The Bank of New York, as trustee.	*
4(b)	Restated Certificate of Trust of Bear Stearns Capital Trust IV.	*
4(c)	Restated Certificate of Trust of Bear Stearns Capital Trust V.	*
4(d)	Amended Original Trust Agreement of Bear Stearns Capital Trust IV.	*

Exhibit No.	Description	Incorporated by Reference to Filings Indicated
4(e)	Amended Original Trust Agreement of Bear Stearns Capital Trust V.	*
4(f)	Form of Amended and Restated Trust Agreement for each of Bear Stearns Capital Trust IV and Bear Stearns Capital Trust V.	*
4(g)	Form of Trust Preferred Securities for each of Bear Stearns Capital Trust IV and Bear Stearns Capital Trust V (included in Exhibit 4(f)).	*
4(h)	Form of Guarantee Agreement with respect to the Trust Preferred Securities of each of Bear Stearns Capital Trust IV and Bear Stearns Capital Trust V.	*
5(a)		*

	Opinion of Richards, Layton & Finger, P.A. with respect to validity of the Trust Preferred Securities of Bear Stearns Capital Trust IV.	
5(b)	Opinion of Richards, Layton & Finger, P.A. with respect to validity of the Trust Preferred Securities of Bear Stearns Capital Trust V.	*
5(c)	Form of Opinion of Cadwalader, Wickersham & Taft LLP with respect to validity of the Junior Subordinated Notes and the Guarantee.	*
12	Computation of Ratio of Earnings to Fixed Charges and Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.	Exhibit 12 to the registrant's Annual Report on Form 10-K filed with the Commission on February 13, 2006 and Exhibit 12 to the registrant's Quarterly Reports on Form 10-Q filed with the Commission on April 10, 2006, July 10, 2006 and October 10,

2006.

15	Letter of Deloitte & Touche LLP re: Unaudited Interim Financial Information.	*
23(a)	Consent of Deloitte & Touche LLP.	*
23(b)	Consent of Richards, Layton & Finger, P.A. with respect to their opinion regarding the validity of the Trust Preferred Securities of Bear Stearns Capital Trust IV (included in Exhibit 5(a)).	*
23(c)	Consent of Richards, Layton & Finger, P.A. with respect to their opinion regarding the validity of the Trust Preferred Securities of Bear Stearns Capital Trust V (included in Exhibit 5(b)).	*
23(d)	Consent of Cadwalader, Wickersham & Taft LLP (included in Exhibit 5(c)).	*
24		*

Power of
attorney
(included in the
signature pages
to the
Registration
Statement).

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Exhibit No.	Description	Incorporated by Reference to Filings Indicated
25(a)	Form T-1 Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of The Bank of New York as trustee under the Form of Junior Subordinated Indenture.	*
25(b)	Form T-1 Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of The Bank of New York as Property Trustee under the Form of Amended and Restated Trust Agreement of Bear Stearns Capital Trust IV.	*
25(c)	Form T-1 Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of The Bank of New York as Property Trustee under the	*

Form of
Amended and
Restated Trust
Agreement of
Bear Stearns
Capital Trust V.

25(d)

Form T-1
Statement of
Eligibility and
Qualification
under the Trust
Indenture Act of
1939 of The
Bank of New
York as
Guarantee
Trustee under the
Form of Trust
Preferred
Securities
Guarantee of
Bear Stearns
Capital Trust IV.

*

25(e)

Form T-1
Statement of
Eligibility and
Qualification
under the Trust
Indenture Act of
1939 of The
Bank of New
York as
Guarantee
Trustee under the
Form of Trust
Preferred
Securities
Guarantee of
Bear Stearns
Capital Trust V.

*

*

Filed herewith.

**

To be filed, if necessary, subsequent to the effectiveness of this registration statement by an amendment to this registration statement or incorporated by reference pursuant to a Current Report on Form 8-K in connection with an offering of securities.

Item 17. Undertakings.

The undersigned registrant hereby undertakes:

(a)

To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i)

To include any prospectus required by section 10(a)(3) of the Securities Act;

(ii)

To reflect in the prospectus any facts or events arising after the effective date of this registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in this registration statement; and

(iii)

To include any material information with respect to the plan of distribution not previously disclosed in this registration statement or any material change to such information in this registration statement;

provided, however, that the undertakings set forth in subparagraphs (i), (ii) and (iii) above do not apply if the information required to be included in a post-effective amendment by those subparagraphs is contained in reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in this registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(b)

That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(c)

To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(d)

That, for the purpose of determining liability under the Securities Act to any purchaser:

(A)

Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(B)

Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by section 10(a) of the Securities Act shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that

date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof; *provided, however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

(e)

That, for the purpose of determining liability of the registrant under the Securities Act to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i)

Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii)

Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii)

The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv)

Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(f)

That, for the purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in this registration statement shall be deemed to be a new Registration Statement relating to the

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securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(g)

To file an application for the purpose of determining the eligibility of the trustees to act under subsection (a) of section 310 of the Trust Indenture Act in accordance with the rules and the registrant regulations prescribed by the SEC under section 305(b)(2) of the Act.

(h)

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described under Item 15 of this registration statement, or otherwise (other than insurance), the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person, in connection with the securities being registered, the registrant will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, each of the registrants hereby certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on October 31, 2006.

THE BEAR STEARNS COMPANIES
INC.

By: /s/ SAMUEL L.
MOLINARO JR.
Samuel L. Molinaro Jr.
Executive Vice President
and
Chief Financial Officer

BEAR STEARNS CAPITAL TRUST
IV

By: The Bear Stearns Companies Inc.,
as Depositor

By: /s/ KENNETH L.
EDLOW
Kenneth L. Edlow
Secretary

BEAR STEARNS CAPITAL TRUST V

By: The Bear Stearns Companies Inc.,
as Depositor

By: /s/ KENNETH L.
EDLOW
Kenneth L. Edlow
Secretary

We, the undersigned officers and directors of The Bear

Stearns Companies Inc., hereby severally constitute, James E. Cayne, Alan C. Greenberg and Samuel L. Molinaro Jr., and any of them singly, our true and lawful attorneys with full power to them, and each of them singly, to sign for us and in our name in the capacities indicated below, any and all amendments (including post-effective amendments) to this Registration Statement on Form S-3 filed by The Bear Stearns Companies Inc. with the Securities and Exchange Commission (and any additional Registration Statement related hereto permitted by Rule 462(b) promulgated under the Securities Act of 1933, as amended (and all further amendments, including post-effective amendments, thereto)), and generally to do all such things in our name and on our behalf in such capacities to enable The Bear Stearns Companies Inc. to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission, and we hereby ratify and confirm our signatures as they may be signed by our said attorneys, or any of them, to any and all such amendments.

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Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities indicated on October 31, 2006.

Signatures	Title
/s/ JAMES E. CAYNE James E. Cayne	Chairman of the Board, Chief Executive Officer (Principal Executive Officer) and Director
/s/ HENRY S. BIENEN Henry S. Bienen	Director
/s/ CARL D. GLICKMAN Carl D. Glickman	Director
/s/ ALAN C. GREENBERG Alan C. Greenberg	Chairman of the Executive Committee and Director
/s/ DONALD J. HARRINGTON Donald J. Harrington	Director
/s/ FRANK T. NICKELL Frank T. Nickell	Director
/s/ PAUL A. NOVELLY Paul A. Novelly	Director
/s/ FREDERIC V. SALERNO Frederic V. Salerno	Director
/s/ ALAN D. SCHWARTZ Alan D. Schwartz	President, Co-Chief Operating Officer and Director
/s/ WARREN J. SPECTOR	

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Warren J. Spector	President, Co-Chief Operating Officer and Director
/s/ VINCENT TESE Vincent Tese	Director
Wesley S. Williams, Jr.	Director
/s/ SAMUEL L. MOLINARO JR.	Executive Vice President and Chief Financial Officer
Samuel L. Molinaro Jr.	(Principal Financial Officer)
/s/ JEFFREY M. FARBER Jeffrey M. Farber	Controller (Principal Accounting Officer)

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EXHIBIT INDEX

Exhibit No.	Description	Incorporated by Reference to Filings Indicated
1(a)	Form of Underwriting Agreement for Trust Preferred Securities.	**
4(a)	Form of Junior Subordinated Indenture between The Bear Stearns Companies and The Bank of New York, as trustee.	*
4(b)	Restated Certificate of Trust of Bear Stearns Capital Trust IV.	*
4(c)	Restated Certificate of Trust of Bear Stearns Capital Trust V.	*
4(d)	Amended Original Trust Agreement of Bear Stearns Capital Trust IV.	*
4(e)	Amended Original Trust Agreement of Bear Stearns Capital Trust V.	*
4(f)	Form of Amended and Restated Trust Agreement for each of Bear Stearns Capital Trust IV and Bear Stearns Capital Trust V.	*
4(g)	Form of Trust Preferred Securities for each of Bear Stearns Capital Trust IV and Bear Stearns Capital Trust V (included in Exhibit 4(f)).	*
4(h)		*

	Form of Guarantee Agreement with respect to the Trust Preferred Securities of each of Bear Stearns Capital Trust IV and Bear Stearns Capital Trust V.	
5(a)	Opinion of Richards, Layton & Finger, P.A. with respect to validity of the Trust Preferred Securities of Bear Stearns Capital Trust IV.	*
5(b)	Opinion of Richards, Layton & Finger, P.A. with respect to validity of the Trust Preferred Securities of Bear Stearns Capital Trust V.	*
5(c)	Form of Opinion of Cadwalader, Wickersham & Taft LLP with respect to validity of the Junior Subordinated Notes and the Guarantee.	*
12	Computation of Ratio of Earnings to Fixed Charges and Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.	Exhibit 12 to the registrant's Annual Report on Form 10-K filed with the Commission on February 13, 2006 and Exhibit 12 to the registrant's Quarterly Reports on Form 10-Q filed with the Commission on April 10, 2006, July 10, 2006 and October 10, 2006.

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Letter of Deloitte & Touche
LLP re: Unaudited Interim
Financial Information.

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Exhibit No.	Description	Incorporated by Reference to Filings Indicated
23(a)	Consent of Deloitte & Touche LLP.	*
23(b)	Consent of Richards, Layton & Finger, P.A. with respect to their opinion regarding the validity of the Trust Preferred Securities of Bear Stearns Capital Trust IV (included in Exhibit 5(a)).	*
23(c)	Consent of Richards, Layton & Finger, P.A. with respect to their opinion regarding the validity of the Trust Preferred Securities of Bear Stearns Capital Trust V (included in Exhibit 5(b)).	*
23(d)	Consent of Cadwalader, Wickersham & Taft LLP (included in Exhibit 5(c)).	*
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	Power of attorney (included in the signature pages to the Registration Statement).	
25(a)	Form T-1 Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of The Bank of New York as trustee under the Form of Junior Subordinated Indenture.	*
25(b)	Form T-1 Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of The Bank of New York as Property Trustee under the Form of Amended and Restated Trust Agreement of Bear Stearns Capital Trust IV.	*
25(c)	Form T-1 Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of The Bank of New York as Property Trustee under the	*

Form of
Amended and
Restated Trust
Agreement of
Bear Stearns
Capital Trust V.

25(d)

Form T-1
Statement of
Eligibility and
Qualification
under the Trust
Indenture Act of
1939 of The
Bank of New
York as
Guarantee
Trustee under the
Form of Trust
Preferred
Securities
Guarantee of
Bear Stearns
Capital Trust IV.

*

25(e)

Form T-1
Statement of
Eligibility and
Qualification
under the Trust
Indenture Act of
1939 of The
Bank of New
York as
Guarantee
Trustee under the
Form of Trust
Preferred
Securities
Guarantee of
Bear Stearns
Capital Trust V.

*

*

Filed herewith.

**

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To be filed, if necessary, subsequent to the effectiveness of this registration statement by an amendment to this registration statement or incorporated by reference pursuant to a Current Report on Form 8-K in connection with an offering of securities.

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