BEAR STEARNS COMPANIES INC
Form 424B2
October 01, 2007

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

Filed pursuant to Rule 424(b)(2)
Registration No. 333-136666
Subject to Completion, dated October 1, 2007
PRICING SUPPLEMENT
(To Prospectus Dated August 16, 2006 and
Prospectus Supplement Dated August 16, 2006)

The Bear Stearns Companies Inc.
$[l] Accelerated Market Participation Securities ("AMPS")
Linked to a Portfolio of Indices, due October [l], 2009

- The Notes are not principal protected.
- The Notes are linked to the performance of an equally-weighted portfolio comprised of the following three equity indices: (1) the S&P 500® Index (the "SPX"); (2) the Dow Jones EURO STOXX 50® Index (the "SX5E"); and (3) the Nikkei 225™ Stock Index (the "NKY") (each such index a "Component" and together the "Portfolio"). The weighting of each Component within the Portfolio is fixed at 1/3 and will not change during the term of the Notes unless one or more Components are modified during the term of the Notes as further described herein.
- 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, which is based on the performance of the Portfolio over the term of the Notes as measured by the Portfolio Return. The "Portfolio Return" is calculated as the difference of (i) the Final Portfolio Value divided by the Initial Portfolio Value minus (ii) one. The "Final Portfolio Value" equals the Portfolio Value on the Valuation Date and the "Initial Portfolio Value" equals the Portfolio Value on the Pricing Date, or 100, in each case as determined by the Calculation Agent.
- The Participation Rate is [135.00]%.
- The Portfolio Value, on the Valuation Date, is calculated as follows:
- If, on the Valuation Date, the Portfolio Return is greater than or equal to zero, then the Cash Settlement Value for each Note will be equal to the $1,000 principal amount of the Note, plus the product of (i) $1,000 multiplied by (ii) the Portfolio Return multiplied by (iii) the Participation Rate.
- If, on the Valuation Date, the Portfolio Return is less than zero, the Cash Settlement Value for each Note will be equal to the product of (i) $1,000 multiplied by (ii) the Final Portfolio Value divided by the Initial Portfolio Value. **In this case, you will receive less, and possibly significantly less, than your initial investment in the Notes.**
- The CUSIP number for the Notes is 073928Y31.
- The Notes will not pay interest during the term of the Notes.
- The Notes will not be listed on any securities exchange or quotation system.
- The Maturity Date for the Notes is expected to be October [l], 2009. If the Valuation Date is postponed, the Maturity Date will be three Business Days following the postponed Valuation Date.

- The scheduled Valuation Date for the Notes is October [l], 2009. The Valuation Date is subject to adjustment as described herein.

INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. THE NOTES ARE NOT PRINCIPAL PROTECTED. THEREFORE, INVESTORS MAY RECEIVE LESS, AND POSSIBLY SIGNIFICANTLY LESS, THAN THEIR INITIAL INVESTMENT IN THE NOTES. THERE MAY NOT BE AN ACTIVE SECONDARY MARKET IN THE NOTES, AND IF THERE WERE TO BE AN ACTIVE SECONDARY MARKET, IT MAY NOT BE LIQUID. YOU SHOULD REFER TO "RISK FACTORS" BEGINNING ON PAGE PS-10.

Each Component is a service mark or trademark of the sponsor of that Component and has been, or will be, licensed for use by The Bear Stearns Companies Inc. The Notes, which are linked to the performance of the Portfolio, are not sponsored, endorsed, sold or promoted by the sponsor of any Component; and the sponsors of such Components make no representations 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	[l]%* ‡	$[l]
Agent's discount	[l]%	$[l]
Proceeds, before expenses, to us	[l]%	$[l]

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

‡[Any additional reissuance will be offered at a price to be determined at the time of pricing of each offering of Notes, which price will be a function of the prevailing market conditions and the levels of the Components at the time of the relevant sale.]

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 [l], 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.

We may grant our affiliate Bear, Stearns & Co. Inc. ("Bear Stearns") a 30-day option from the date of the final pricing supplement to purchase from us up to an additional $[l] of Notes at the public offering price to cover any over-allotments.

Bear, Stearns & Co. Inc.

October [l], 2007

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

The Bear Stearns Companies Inc. Accelerated Market Participation Securities ("AMPS"), linked to a Portfolio of Indices, due October [1], 2009 (the "Notes") are Notes whose return is tied or "linked" to the performance of an equally-weighted portfolio comprised of the following three equity indices: (1) the S&P 500® Index ("SPX"); (2) the Dow Jones EURO STOXX 50® Index ("SX5E"); and (3) the Nikkei 225™ Stock Index ("NKY") (each such index a "Component" and together the "Portfolio"). If the Final Portfolio Value (as defined herein) is less than the Initial Portfolio Value (as defined herein), the Cash Settlement Value (as defined herein) you receive at maturity will be less, and possibly significantly less, than your initial investment. When we refer to Note or Notes in this pricing supplement, we mean $1,000 principal amount of Notes. On the Maturity Date you will receive the Cash Settlement Value, an amount in cash which is based on the performance of the Portfolio over the term of the Notes as measured by the Portfolio Return. The "Portfolio Return" is calculated as the difference of (i) the Final Portfolio Value divided by the Initial Portfolio Value minus (ii) one. The "Final Portfolio Value" equals the Portfolio Value on the Valuation Date and the "Initial Portfolio Value" equals the Portfolio Value on the Pricing Date, or 100, in each case as determined by the Calculation Agent. If, on the Valuation Date, the Portfolio Return is greater than or equal to zero, then the Cash Settlement Value for each Note will be equal to the $1,000 principal amount of the Note, plus the product of (i) $1,000 multiplied by (ii) the Portfolio Return multiplied by (iii) the Participation Rate. If, on the Valuation Date, the Portfolio Return is less than zero the Cash Settlement Value for each Note will be equal to the product of (i) $1,000 multiplied by (ii) the Final Portfolio Value divided by the Initial Portfolio Value and, **in this case you will receive less, and possibly significantly less, than your initial investment in the Notes**.

Selected Investment Considerations

- Potential leverage in the increase, if any, of the Portfolio—The Notes may be an attractive investment for investors who have a bullish view of the Portfolio during the term of the Note. If held to maturity, the Notes allow you to participate in [135.00]% of the potential increase of the Portfolio Value.

- Diversification—The Notes are linked to the following three equity indices: (1) the SPX; (2) the SX5E; and (3) the NKY. Therefore, the Notes may allow you to diversify an existing portfolio or investment.

- 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 level of the Portfolio 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). See "Certain U.S. Federal Income Tax Considerations" herein.

Selected Risk Considerations

- ***Possible loss of principal—The Notes are not principal protected. If, on the Valuation Date, the Portfolio Return is less than zero, the Cash Settlement Value you will receive will be less than the initial offering price. In that case, you will receive less, and possibly significantly less, than your initial investment in the Notes.***

- No current income—We will not pay any interest on the Notes. The yield on the Notes, therefore, may be less than the overall return you would earn if you purchased a conventional debt security at the same time and with the same Maturity Date from an issuer with a comparable credit rating.

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

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

- Liquidity—Because the Notes will not be listed on any securities exchange or quotation system, we do not expect a trading market to develop, and, if such a market were to develop, it may not be liquid. Our subsidiary, Bear, Stearns & Co. Inc. has advised us that they intend under ordinary market conditions to indicate prices for the Notes upon 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.

- The Components may not move in tandem—At a time when the level of one or more of the Components increases, the level of one or more of the other Components may decline. Therefore, in calculating the Portfolio Return, increases in the level of one or more of the Components may be moderated, or wholly offset, by lesser increases or declines in the level of one or more of the other Components.

KEY TERMS

Issuer: The Bear Stearns Companies Inc.

Components: The following are the three equity indices within the Portfolio: (1) the SPX; (2) the SX5E; and (3) the NKY. (Each such index is a "Component" and together the "Portfolio.") The weighting of each Component within the Portfolio is fixed at 1/3 and will not change during the term of the Notes unless one or more Components are modified during the term of the Notes as further described herein.

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") as the sponsor of the S&P 500® Index, STOXX Limited, a partnership of Deutsche Börse AG, Dow Jones & Company and the SWX Group as the sponsor of the Dow Jones EURO STOXX 50® Index, and Nihon Keizai Shimbun, Inc. as the sponsor of the Nikkei 225™ Stock Index are hereinafter referred to as "Component Sponsors." See "Description of the Portfolio" herein.

Principal amount: The Notes will be denominated in U.S. dollars. Each Note will be issued in minimum denominations of $1,000 and $1,000 multiples thereafter; provided, however, that the minimum purchase for any purchaser domiciled in a member state of the European Economic Area shall be $100,000. The aggregate principal amount of the Notes being offered is $[l]. When we refer to "Note" or "Notes" in this pricing supplement, we mean Notes each with a principal amount of $1,000.

Further Issuances: Under certain limited circumstances, and at our sole discretion, we may offer further issuances of the Notes. These further issuances, if any, will be consolidated to form a single series with the Notes and will have the same CUSIP number and will trade interchangeably with the Notes immediately upon settlement.

Interest: The Notes will not bear interest.

Cash Settlement Value: On the Maturity Date, you will receive the Cash Settlement Value, an amount in cash that depends upon the Portfolio Return.

If, on the Valuation Date, the Portfolio Return is greater than or equal to zero, the Cash Settlement Value is equal to the $1,000 principal amount of the Notes, plus the product of (i) $1,000 multiplied by (ii) the Portfolio Return multiplied by (iii) the Participation Rate.

If, on the Valuation Date, the Portfolio Return is less than zero, the Cash Settlement Value for each Note will be equal to the product of (i) $1,000 multiplied by (ii) the Final Portfolio Value divided by the Initial Portfolio Value.

Participation Rate: [135.00]%

Portfolio Return: An amount determined by the Calculation Agent and calculated as the difference of (i) the Final Portfolio Value divided by the Initial Portfolio Value minus (ii) one.

For purposes of determining the Portfolio Return:

"*Final Portfolio Value*" equals the Portfolio Value on the Valuation Date, as determined by the Calculation Agent.

"*Initial Portfolio Value*" equals the Portfolio Value on the Pricing Date, or 100.

"*Portfolio Value*", on the Valuation Date, is calculated as follows:

"*Final Level*" means, as of the Valuation Date and for each Component, the closing index level as reported by the relevant Component Sponsor and displayed on Bloomberg Page SPX <Index> <Go> with respect to the SPX, Bloomberg Page SX5E <Index> <Go> with respect to the SX5E, and Bloomberg Page NKY <Index> <Go> with respect to the NKY.

"*Initial Level*" means (i) [l] with respect to the SPX; (ii) [l] with respect to the SX5E; (iii) and [l] with respect to the NKY, in each case, representing the closing level of the respective Component on the Pricing Date.

Pricing Date: October [l], 2007.

Issue Date: October [l], 2007.

Valuation Date: October [l], 2009; provided that, with respect to a Component, (i) if such date is not a Component Business Day (as defined herein) for that Component, then the Valuation Date for that Component will be the next succeeding day that is a Component Business Day for that Component and (ii) if a Market Disruption Event (as defined herein) exists for that Component on the Valuation Date, the Valuation Date for that Component will be the next Component Business Day for that Component on which a Market Disruption Event does not exist for that Component. If the Valuation Date for any Component is postponed for three consecutive Component Business Days due to the existence of a Market Disruption Event, then, notwithstanding the existence of a Market Disruption Event on that third Component Business Day, that third Component Business Day will be the Valuation Date for that Component. For the avoidance of doubt, if no Market Disruption Event exists with respect to a Component on the Valuation Date, the determination of the Final Level for such Component will be made on the Valuation Date, irrespective of the existence of a Market Disruption Event with respect to one or more of the other Components.

Maturity Date: The Notes are expected to mature on October [l], 2009 unless such date is not a Business Day, in which case the Maturity Date shall be the next Business Day. If the Valuation Date is postponed, the Maturity Date will be three Business Days following the Valuation Date, as postponed for the last Component for which a Final Level is determined.

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

Component Business Day: Means, with respect to each Component, any day on which the Relevant Exchange and each Related Exchange are scheduled to be open for trading.

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

Calculation Agent: Bear, Stearns & Co. Inc.

Relevant Exchanges: Means (i) the New York Stock Exchange, Nasdaq Stock Market and their successors with respect to the SPX; (ii) the major stock exchanges, respectively located in one of 12 European countries, including London Stock Exchange, Frankfurt Stock Exchange and their successors with respect to the SX5E; and (iii) the Tokyo Stock Exchange and its successor (the "TSE") with respect to the NKY, which, for each Component, represents the primary exchanges or markets of trading of any security then included in such Component.

Related Exchange: Means, with respect to any Component, each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to a Component.

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, and the accompanying prospectus supplement and prospectus or any Notes must inform themselves about and observe any applicable restrictions on the distribution of this pricing supplement, the accompanying prospectus supplement and prospectus and the offer and sale of the Notes. Notwithstanding the minimum denomination of $1,000, the minimum purchase for any purchaser domiciled in a member state of the European Economic Area shall be $100,000.

QUESTIONS AND ANSWERS

What are the Notes?

The Notes are a series of our senior, unsecured, unsubordinated debt securities, the value of which is linked to the performance of the Portfolio Return. The Notes will not bear interest, and no other payments will be made prior to maturity. The Notes are not principal protected if held to maturity. However, the Notes differ from conventional debt securities in that the Notes offer the opportunity to participate in [135.00]% of the positive performance of the Portfolio Return, if any. See the section "Risk Factors" for selected risk considerations prior to making an investment in the Notes.

The Notes are expected to mature on October [l], 2009. The Notes do not provide for earlier redemption. When we refer to Notes in this pricing supplement, we mean Notes with a principal amount of $1,000. You should refer to the section "Description of the Notes," for a detailed description of the Notes prior to making an investment in the Notes.

Are there any risks associated with my investment?

Yes. The Notes are subject to a number of risks, including the risk that you may lose up to 100% of your initial investment in the Notes. You should refer to the section "Risk Factors" in this pricing supplement and the section "Risk Factors" in the accompanying prospectus supplement.

What will I receive at maturity of the Notes?

We have designed the Notes for investors who want to participate in [135.00]% of the positive performance of the Portfolio Value over the term of the Notes relative to the Initial Portfolio Value. On the Maturity Date, you will receive the Cash Settlement Value, which is based on the performance of the Portfolio over the term of the Notes as measured by the Portfolio Return. The "Portfolio Return" is calculated as the difference of (i) the Final Portfolio Value divided by the Initial Portfolio Value minus (ii) one. The "Final Portfolio Value" equals the Portfolio Value on the Valuation Date and the "Initial Portfolio Value" equals the Portfolio Value on the Pricing Date, or 100, in each case as determined by the Calculation Agent.

If, on the Valuation Date, the Portfolio Return is greater than or equal to zero, then the Cash Settlement Value for each Note will be equal to the $1,000 principal amount of the Note, plus the product of (i) $1,000 multiplied by (ii) the Portfolio Return multiplied by (iii) the Participation Rate.

If, on the Valuation Date, the Portfolio Return is less than zero, the Cash Settlement Value for each Note will be equal to the product of (i) $1,000 multiplied by (ii) the Final Portfolio Value divided by the Initial Portfolio Value. In this case you will receive less, and possibly significantly less, than your initial investment in the Notes.

For more specific information about the Cash Settlement Value and for illustrative examples, you should refer to the section "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, on the Valuation Date, the Portfolio Return is less than zero, the Cash Settlement Value you receive will be less than the initial offering price in proportion to the percentage decline in the Portfolio. In that case, you will receive less, and possibly significantly less, than your initial investment in the Notes.

Will I receive interest on the Notes?

You will not receive any periodic interest payments on the Notes. The only payment you will receive, if any, will be the Cash Settlement Value upon the maturity of the Notes.

Will there be an additional offering of the Notes?

Under certain limited circumstances, and at our sole discretion, we may offer further issuances of the Notes. These further issuances, if any, will be consolidated to form a single series with the Notes and will have the same CUSIP number and will trade interchangeably with the Notes immediately upon settlement. Any additional issuance will increase the aggregate principal amount of the outstanding Notes of this series to include the aggregate principal amount of any Notes bearing the same CUSIP number that are issued pursuant to (i) any 30-day option we grant to Bear, Stearns & Co. Inc. The price of any additional offerings will be determined at the time of pricing of each offering, which will be a function of the prevailing market conditions and levels of the Components at the time of the relevant sale.

What is the Portfolio?

The equally-weighted Portfolio is comprised of the following three equity indices: (1) the SPX; (2) the SX5E; and (3) the NKY. For more specific information about the Portfolio, please see the section “Description of the Portfolio.” Unless otherwise stated, all information regarding the Components that is provided in this pricing supplement is derived from the Sponsors or other publicly available sources.

Who publishes information regarding the Components and where can I obtain further information?

S&P 500® Index. The SPX is a capitalization weighted stock index published by S&P and is intended to provide an indication of the pattern of common stock price movement. The calculation of the level of the Index, discussed below in further detail, is based on the relative value of the aggregate market value of the common stocks of 500 companies as of a particular time compared to the aggregate average market value of the common stocks of 500 similar companies during the base period of the years 1941 through 1943. As of September 26, 2007, the common stocks of 426 companies or 85.2% of the market capitalization of the SPX, were traded on the New York Stock Exchange (“NYSE”) and the common stocks of 74 companies, or 14.8% of the market capitalization of the Index, were traded on The Nasdaq Stock Market (“Nasdaq”). As of that date, none of the common stocks included in the Index were traded on the American Stock Exchange. The SPX is quoted in U.S. dollars. You can obtain the level of the SPX from the Bloomberg Financial Service under the symbol SPX <Index> or from the S&P website at http://www.spglobal.com. Other information on the S&P website is not incorporated into this document.

Dow Jones EURO STOXX 50® Index. The SX5E is a free-float weighted index of 50 European blue-chip companies and is calculated, published and disseminated by STOXX Limited, a partnership of Deutsche Börse AG, Dow Jones & Company, Euronext Paris SA and SWX Swiss Exchange. The SX5E is currently comprised of 50 stocks that respectively trade on major stock exchanges located in one of 12 European countries, including the London Stock Exchange, Frankfurt Stock Exchange and others. The SX5E is quoted in Euros. You can obtain the level of the SX5E from the Bloomberg Financial Service under the symbol SX5E <Index> or from the Dow Jones website at http://www.djindexes.com. Other information on the Dow Jones website is not incorporated into this document.

Nikkei 225TM Stock Index. The NKY is a modified, price-weighted stock index calculated, published and disseminated by Nihon Keizai Shimbun, Inc. that measures the composite price performance of selected Japanese stocks. The NKY is currently comprised of 225 stocks that trade on the Tokyo Stock Exchange and represents a broad cross-section of

Japanese industry. All 225 of the stocks underlying the NKY are stocks listed in the First Section of the Tokyo Stock Exchange. The NKY is quoted in Japanese yen. You can obtain the level of the NKY from the Bloomberg Financial Service under the symbol NKY <Index> or from the Tokyo Stock Exchange website at http://www.tse.or.jp/english/index.shtml. Other information on the Tokyo Stock Exchange website is not incorporated into this document.

How have the Components performed historically?

We have provided tables depicting the month-end closing levels for each of the Components for each month beginning with January 1998. You can find these tables in the section "Description of the Portfolio—Historical Data on the Components." We have provided this historical information to help you evaluate the behavior of the Components in various economic environments; however, the time period depicted is relatively limited and past performance is not indicative of the manner in which the Components will perform in the future. You should refer to the section "Risk Factors—The historical performance of the Components is not an indication of the future performance of the Components."

Will the Notes be listed on a securities exchange?

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

What is the role of Bear, Stearns & Co. Inc.?

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 to continue them once they are begun.

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

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

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

Who should consider purchasing the Notes?

Because the Notes are tied to the performance of the Portfolio, they may be appropriate for investors with specific investment horizons who seek to participate in the potential price appreciation of the Components underlying the Portfolio. In particular, the Notes may be an attractive investment for you if you:

- want potential upside exposure to the Components underlying the Portfolio;
- believe that the Portfolio will increase over the term of the Notes;

- understand that the Components may not move in tandem and that at a time when the level of one or more of the Components increases, the level of one or more of the other Components may decline. Therefore, increases in the level of one or more of the Components may be moderated, or wholly offset, by lesser increases or declines in the level of one or more of the other Components;

- are willing to risk the possible loss of up to 100.00% of their investment in exchange for the opportunity to participate in [135.00]% of the appreciation, if any, of the Portfolio;

- are willing to hold the Notes until maturity; and

- are willing to forgo interest payments or dividend payments on the stocks underlying the Components of the Portfolio.

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

- you seek principal protection;

- you seek current income or dividend payments from your investment;
- you are unable or unwilling to hold the Notes until maturity;
- you seek an investment with an active secondary market; or
- you do not have a bullish view of the Portfolio 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 Portfolio 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). It is possible that certain of the securities underlying the Components could be treated as “pass thru entities” for purposes of section 1260 of the Code, in which case the “constructive ownership” rules of section 1260 could cause a portion of any long term capital gain that is recognized on sale, exchange, maturity, or other taxable disposition of the Notes to be treated as ordinary income and subject to an interest charge. Because of the uncertainty regarding the tax treatment of the Notes, we urge you to consult your tax advisor as to the tax consequences of your investment in a Note. 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 Title I of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), a plan that is subject to Section 4975 of the Internal Revenue Code of 1986, as amended (the “Code”), including individual retirement accounts, individual retirement annuities or Keogh plans, a governmental or church plan subject to any similar law or any entity the assets of which are deemed to be “plan assets” under ERISA, Section 4975 of the Code, any applicable regulations or otherwise, will be permitted to purchase, hold and dispose of the Notes, subject to certain conditions. Such investors should carefully review the discussion under “Certain ERISA Considerations” in this pricing supplement before investing in the Notes.

RISK FACTORS

Your investment in the Notes involves a degree of risk similar to investing in the Components underlying the Portfolio. Your investment in the Notes will be subject to risks not associated with conventional fixed-rate or floating-rate debt securities. Prospective purchasers should recognize the possibility of a loss with respect to their investment in the Notes if they sell the Notes prior to maturity. 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 Components will fluctuate. We have no control over a number of matters that may affect the value of the Notes, including economic, financial, regulatory, geographic, judicial and political events, that are important in determining the existence, magnitude, and longevity of these risks and their influence on the value of, or the payment made on, the Notes.

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

The Notes are not principal protected. If, on the Valuation Date, the Portfolio Return is less than zero, the Cash Settlement Value you will receive will be less than the initial offering price in proportion to the percentage decline in the Portfolio. In that case, you will receive less, and possibly significantly less, than your initial investment in the Notes.

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

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

Owning the Notes is not the same as having rights in the securities underlying the Components.

Even if the Components increase above their respective Initial Levels during the term of the Notes, the trading value of the Notes may not increase by the same amount. It is also possible for the Portfolio Return to increase while the trading value of the Notes declines.

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

In the ordinary course of our business, we may from time to time express views on expected movements in any of the Components and the securities underlying any of the Components. These views may vary over differing time horizons and are subject to change without notice. Moreover, other professionals who deal in the equity markets may at any time have views that differ significantly from ours. In connection with your purchase of the Notes, you should investigate the Components and the securities underlying any of the Components 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 Portfolio.

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

The Portfolio does not reflect the payment of dividends or other distributions in respect of the securities underlying the Components. Therefore, the yield you will receive by holding the Notes to maturity will not be the same as if you had purchased the Components and held them for a similar period. You should refer to the section “Description of the Notes” for a detailed description of the notes prior to making an investment in the Notes.

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 Portfolio, 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.”

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

We expect that the Portfolio Value will fluctuate in accordance with changes in the financial condition of the companies issuing the securities comprising the Components, the level of the underlying securities comprising the Components generally and other factors. The financial condition of the companies issuing the securities underlying the Components may become impaired or the general condition of the global equity market may deteriorate, either of which may cause a decrease in the Portfolio Value and thus in the value of the Notes. Common stocks are susceptible to general equity market fluctuations and to volatile increases and decreases in value, as market confidence in and perceptions regarding the underlying securities comprising the Components change. Investor perceptions regarding the companies issuing the securities comprising the Components are based on various and unpredictable factors, including expectations regarding government, economic, monetary and fiscal policies, inflation and interest rates, economic expansion or contraction, and global or regional political, economic, and banking crises. The Portfolio Value is expected to fluctuate until the Maturity Date.

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

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

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

Although the securities underlying certain of the Components are traded in currencies other than the U.S. dollar and the Notes are denominated in U.S. dollars, the amount payable on the Maturity Date 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 Maturity Date is based solely upon the percentage increase in the Portfolio Return. Changes in exchange rates, however, may reflect changes in various international economies, which in turn may affect the levels of the Components and the Notes.

The securities underlying certain Components trade at different times; however, if an active secondary market develops, the Notes may trade only during regular trading hours in the United States.

The hours of trading for the Notes may not conform to the hours during which the securities underlying certain of the Components are traded. To the extent that U.S. markets are closed while other markets remain open, significant price and rate movements may take place in the markets for the securities comprising certain of the Components that will not be reflected immediately in the price of the Notes.

As a result of the time difference among the cities where the securities underlying certain of the Components trade, and New York City (where the Notes may trade), there may be discrepancies between the levels of the Components, and the trading prices of the Notes. In addition, there may be periods when the international securities markets are closed for trading (for example during holidays in an applicable country), causing the level of a particular Component to remain unchanged for multiple New York City trading days.

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

The securities underlying two of the Components are issued by international companies. Investors should be aware that investments linked to the value of international equity securities might involve particular risks. The international securities markets may have less liquidity and could be more volatile than U.S. or other longer-established international securities markets. Direct or indirect government intervention to stabilize the international securities markets, as well as cross-shareholdings in international companies, may affect trading prices and volumes in those markets. Also, there is generally less publicly available information about international companies than about those U.S. companies that are subject to the reporting requirements of the SEC; and international companies 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 investments linked to the value of international equity securities 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; governmental interference; higher inflation; and social, economic and political uncertainties. These factors may adversely affect the performance of certain of the Components and, as a result, the Cash Settlement Value may be adversely affected.

The prices and performance of securities underlying the Components also may be affected by political, economic, financial and social factors. In addition, recent or future changes in the 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 international securities markets. Moreover, the applicable international economies may differ favorably or unfavorably from that of the United States.

The Components may not move in tandem, and gains in one Component may be offset by declines in another Component.

Movements in the Components comprising the Portfolio may not move in tandem. At a time when the level of one or more of the Components increases, the level of one or more of the other Components may decline. Therefore, in calculating the Portfolio Return, increases in the level of one or more of the Components may be moderated, or wholly offset, by lesser increases or declines in the level of one or more of the other Components.

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

If you wish to liquidate your investment in the Notes prior to maturity, your only alternative would be to sell them. At that time, there may be an illiquid market for Notes or no market at all. Even if you were able to sell your Notes, there are many factors outside of our control that may affect their trading value. We believe that the value of your Notes will be affected by the level and volatility of the Portfolio, whether the closing levels of the Components are greater than or equal to their respective Initial Levels, 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 Portfolio Value is less than, equal to or not sufficiently above the Initial Portfolio Value. If you sell the Notes prior to maturity, you may receive less, and possibly significantly less, than your initial investment in the Notes. The following paragraphs describe the manner in which we expect the trading value of the Notes will be affected in the event of a change in a specific factor, assuming all other conditions remain constant.

- *Value of the Portfolio*. We expect that the trading value of the Notes will depend substantially on the amount, if any, by which the Portfolio Value at any given time has increased relative to the Initial Portfolio Value. If you decide to sell your Notes when the Portfolio Value has increased relative to the Initial Portfolio Value, you may nonetheless receive substantially less than the amount that would be payable at maturity based on that Portfolio Value because of expectations that the Portfolio Value will continue to fluctuate until the Cash Settlement Value is determined.

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

- *Correlation among the levels of the Components underlying the Portfolio*. Correlation is the extent to which the levels of the Components underlying the Portfolio increase or decrease to the same degree at the same time. To the extent that correlation among the Components underlying the Portfolio changes, the volatility of the Components underlying the Portfolio may change and the value of the Notes may be adversely affected.

- *Interest rates*. We expect that the trading value of the Notes will be affected by changes in interest rates. In general, if interest rates increase, the value of outstanding debt securities tends to decrease; conversely, if interest rates decrease, the value of outstanding debt securities tends to increase. Interest rates may also affect the economy and, in turn, the Portfolio Value, which may affect the value of the Notes. Rising interest rates may lower the Portfolio Value and, thus, 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 Portfolio Value, an improvement in our credit ratings, financial condition or results of operations is not expected to have a positive effect on the trading value of the Notes.

· *Time remaining to maturity.* As the time remaining to maturity of the Notes decreases, the "time premium" associated with the Notes will decrease. A "time premium" results from expectations concerning the levels of the Components 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 Components.

· *Dividend yield.* The value of the Notes may also be affected by the dividend yields on the stocks underlying any of the Components. In general, because the Portfolio does not incorporate the value of dividend payments, higher dividend yields will likely reduce the value of the Notes and, conversely, lower dividend yields are expected to increase the value of the Notes.

· *Volatility of currency exchange rates.* The exchange rates between the U.S. dollar and the foreign currencies in which the securities underlying certain of the Components are denominated are foreign exchange spot rates that measure the relative values of two currencies: the particular currency in which the securities underlying a particular Component are denominated and the U.S. dollar. The spot rate is expressed as a rate that reflects the amount of the particular currency that can be purchased for one U.S. dollar. If the volatility of the exchange rate between the U.S. dollar and any of the foreign currencies in which the securities underlying certain of the Components are denominated changes, the trading value of the Notes may be adversely affected.

· *Correlation between currency exchange rates and the Components.* Correlation is the term used to describe the relationship between the percentage changes in the exchange rate between the U.S. dollar and each of the foreign currencies in which the securities underlying certain of the Components are denominated and the percentage changes between each Component. If the correlation between the relevant exchange rates and the particular Component changes, the trading value of the Notes may be adversely affected.

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

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

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Inclusion of commission. The inclusion of commissions and projected profit from hedging in the initial public offering 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.

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

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

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 Components. 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 Cash Settlement Value, if any, will be paid in cash, and you will have no right to receive delivery of any stocks underlying the Components.

Reported levels for the Components may be based on non-current information.

If trading is interrupted in the securities underlying certain of the Components, publicly available information regarding the Portfolio Value may be based on the last reported prices or levels. As a result, publicly available information regarding reported levels for the Components may at times be based on non-current information.

Suspensions or disruptions of market trading in the equity securities markets may adversely affect the Cash Settlement Value at maturity and/or the market value of the Notes.

The equity securities markets are subject to temporary distortions or other disruptions due to various factors, including a lack of liquidity in the markets, the participation of speculators and potential government regulation and intervention. Suspension or other disruptions of market trading in the securities underlying certain of the Components could adversely affect the levels of those Components and, therefore, the Cash Settlement Value and/or the trading value of the Notes.

Adjustments to the Components could adversely affect the value of the Notes.

The policies of a Component Sponsor concerning additions, deletions and substitutions of the securities underlying the applicable Component and the manner in which that Component Sponsor takes account of certain changes affecting those underlying securities may affect the level of the Component and thus the Portfolio. You should realize that changes in the companies included in a Component may affect the Component, as a newly-added company may perform significantly better or worse than the company or companies it replaces. The Component Sponsor also may discontinue or suspend calculation or dissemination of that Component or materially alter the methodology by which it calculates that Component. Any such actions could affect the value of the Notes.

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

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

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

The Component Sponsors are responsible for calculating and maintaining the Components. The policies of a Component Sponsor concerning the calculation of a Component will affect the level of such Component and, therefore, the trading value of the Notes and the Cash Settlement Value.

If a Component Sponsor discontinues or suspends calculation or publication of a Component, it may become difficult to determine the trading value of the Notes or the Cash Settlement Value. If a Component Sponsor discontinues or suspends calculation of a Component at any time prior to the Maturity Date and a Successor Component is not available or is not acceptable to the Calculation Agent, then the Calculation Agent will determine the amount payable on the Maturity Date by reference to a group of stocks and a computation methodology that the Calculation Agent determines will as closely as reasonably possible replicate the Component. In addition, if the method of calculating a Component (or a Successor Component) is changed in a material respect, or if a Component (or a Successor Component) is in any other way modified so that such Component (or Successor Component) does not, in the opinion of the Calculation Agent, fairly represent the level of the Component (or Successor Component) had such changes or modifications not been made, the Calculation Agent will make such calculations and adjustments as may be necessary to arrive at a level of a security index comparable to the Component (or Successor Component) as if such changes or modifications had not been made. In each such event, the Calculation Agent's determination of the value of the Notes will affect the amount you will receive at maturity. See "Description of the Notes" and "Description of the Portfolio."

We cannot control actions by any of the companies whose securities are included in any Component.

Our common stock is an underlying stock of the SPX. We are not affiliated with any of the other companies whose securities underlie any of the Components. However, we may currently, or in the future, engage in business with these companies. Actions by any company whose security is part of a Component may have an adverse effect on the price of the company's securities, the trading price of and the level of the Component and the Portfolio Value, and the trading value of the Notes. None of those companies are involved in this offering or have any obligations with respect to the Notes, including any obligation to take our or your interests into consideration for any reason. These other 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 other 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 under the Notes on the Maturity Date.

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 securities underlying the Components (other than with respect to our common stock) or the Components. You should make your own investigation into the companies underlying each Component.

We and our affiliates have no affiliation with any Component Sponsor and are not responsible for any Component Sponsor's public disclosure of information.

We and our affiliates are not affiliated in any way with any Component Sponsor (except for the licensing arrangements discussed in the section "Description of the Portfolio—License Agreements") and have no ability to control or predict any Component Sponsor's actions, including any errors in or discontinuation of disclosure regarding its methods or policies relating to the calculation of the applicable Component. Neither we nor any of our affiliates assumes any responsibility for the adequacy or accuracy of the information about the Components or the Component Sponsors contained in this pricing supplement. You, as an investor in the Notes, should make your own investigation into the Components and the Component Sponsors. The Component Sponsors are not involved in any way in the offering of the Notes and have no obligation to consider your interests as an owner of Notes when they take any 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 Components, the Final Levels, the Portfolio Value, the trading value of the Notes or the amount you may receive at maturity.

We and our affiliates may from time to time buy or sell shares of the securities underlying the Components or derivative instruments related to those securities for our own accounts in connection with our normal business practices or in connection with hedging our obligations under the Notes and other instruments. These trading activities may present a conflict of interest between your interest in the Notes and the interests we and our affiliates may have in our proprietary accounts, in facilitating transactions, including block trades, for our other customers and in accounts under our management. The transactions could affect the prices of those securities, the Final Levels or the Portfolio Value 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 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 transaction costs. If you sell the Notes prior to maturity, you may receive less, and possibly significantly less, than your initial investment in the Notes.

Hedging activities we or our affiliates may engage in may affect the Portfolio Value 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 securities that underlie the Components, or derivative or synthetic instruments related to those securities or the Components, we or any of our affiliates may liquidate a portion of such holdings at or about the time of the maturity of the Notes or at or about the time of a change in the securities that underlie the Components. Depending on, among other things, future market conditions, the aggregate amount and the composition of such hedge positions are likely to vary over time. Profits or losses from any of those positions cannot be ascertained until the position is closed out and any offsetting position or positions are taken into account. Although we have no reason to believe that any of those activities will have a material effect on the Portfolio Value, we cannot assure you that these activities will not affect the Portfolio Value 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 relating to the Components or the companies issuing the securities underlying the Components. 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 prices of the securities underlying the Components 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 Portfolio or a Component thereof. By introducing competing products into the marketplace in this manner, we or our affiliates could adversely affect the value of the Notes.

We and our affiliates, at present or in the future, may engage in business with the companies issuing the securities underlying the Components, including making loans to, equity investments in, or providing investment banking, asset management or other advisory services to those companies. In connection with these activities, we may receive information about those companies that we will not divulge to you or other third parties.

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 Valuation Date, a Market Disruption Event has occurred or is continuing, the determination of the Cash Settlement Value by the Calculation Agent may be deferred. You should refer to the section "Description of the Notes—Market Disruption Events."

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

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

DESCRIPTION OF THE NOTES

The following description of the Notes (referred to in the accompanying prospectus supplement as the "Other Indexed Notes") supplements the description of the Notes in the accompanying prospectus supplement and prospectus. This is a summary and is not complete. You should read the indenture, dated as of May 31, 1991, as amended (the "Indenture"), between us and The Bank of New York as successor in interest to JPMorgan Chase Bank, N.A., 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 structurally subordinated to the claims of creditors of our subsidiaries.

The aggregate principal amount of the Notes will be [l]. The Notes are expected to mature on October [l], 2009 and do not provide for earlier redemption. The Notes will be issued only in fully registered form, and in minimum denominations of $1,000; provided, however, that the minimum purchase for any purchaser domiciled in a member state of the European Economic Area shall be $100,000. Initially, the Notes will be issued in the form of one or more global securities registered in the name of DTC or its nominee, as described in the accompanying prospectus supplement and prospectus. When we refer to Note or Notes in this pricing supplement, we mean $1,000 principal amount of Notes. The Notes will not be listed on any securities exchange or quotation system.

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

Future Issuances

Under certain limited circumstances, and at our sole discretion, we may offer further issuances of the Notes. These further issuances, if any, will be consolidated to form a single series with the Notes and will have the same CUSIP number and will trade interchangeably with the Notes immediately upon settlement. Any additional issuances will increase the aggregate principal amount of the outstanding Notes of this series, plus the aggregate principal amount of any Notes bearing the same CUSIP number that are issued pursuant to any 30-day option we grant to Bear Stearns. The prices of any additional offerings will be determined at the time of pricing of each offering, which will be a function of the prevailing market conditions and Portfolio Value at the time of the relevant sale.

Interest

We will not make any periodic payments of interest on the Notes. The only payment you will receive, if any, will be the Cash Settlement Value upon the maturity of the Notes.

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 on upon the performance of the Portfolio Return.

If, on the Valuation Date, the Portfolio Return is greater than or equal to zero, then the Cash Settlement Value for each Note will be equal to the $1,000 principal amount of the Note, plus the product of (i) $1,000 multiplied by (ii) the Portfolio Return multiplied by (iii) the Participation Rate.

If, on the Valuation Date, the Portfolio Return is less than zero, the Cash Settlement Value for each Note will be equal to the product of (i) $1,000 multiplied by (ii) the Final Portfolio Value divided by the Initial Portfolio Value. In this case you will receive less, and possibly significantly less, than your initial investment in the Notes.

The Notes are linked to an equally-weighted portfolio of the following three equity indices: (1) the SPX; (2) the SX5E; and (3) the NKY. (Each such index is a "Component" and together the "Portfolio.") The weighting of each Component within the Portfolio is fixed at 1/3 and will not change during the term of the Notes unless one or more Components are modified during the term of the Notes as further described herein.

Portfolio Return: An amount determined by the Calculation Agent and calculated as the difference of (i) the Final Portfolio Value divided by the Initial Portfolio Value minus (ii) one.

For purposes of determining the Portfolio Return:

"*Final Portfolio Value*" equals the Portfolio Value on the Valuation Date, as determined by the Calculation Agent.

"*Initial Portfolio Value*" equals the Portfolio Value on the Pricing Date, or 100.

"*Portfolio Value*", on the Valuation Date, is calculated as follows:

"*Final Level*" means, as of the Valuation Date and for each Component, the closing index level as reported by the relevant Component Sponsor and displayed on Bloomberg Page SPX <Index> <Go> with respect to the SPX, Bloomberg Page SX5E <Index> <Go> with respect to the SX5E; and Bloomberg Page NKY <Index> <Go> with respect to the NKY.

"*Initial Level*" means (i) [l] with respect to the SPX; (ii) [l] with respect to the SX5E; and (iii) [l] with respect to the NKY, in each case, representing the closing level of the respective Component on the Pricing Date.

The "Participation Rate" is [135.00]%.

The "Pricing Date" is October [l], 2007.

The "Issue Date" is October [l], 2007.

The "Valuation Date" is October [l], 2009; provided that, with respect to a Component, (i) if such date is not a Component Business Day (as defined herein) for that Component, then the Valuation Date for that Component will be the next succeeding day that is a Component Business Day for that Component and (ii) if a Market Disruption Event (as defined herein) exists for that Component on the Valuation Date, the Valuation Date for that Component will be the next Component Business Day for that Component on which a Market Disruption Event does not exist for that Component. If the Valuation Date for any Component is postponed for three consecutive Component Business Days due to the existence of a Market Disruption Event, then, notwithstanding the existence of a Market Disruption Event on that third Component Business Day, that third Component Business Day will be the Valuation Date for that Component. For the avoidance of doubt, if no Market Disruption Event exists with respect to a Component on the Valuation Date, the determination of the Final Level for such Component will be made on the Valuation Date, irrespective of the existence of a Market Disruption Event with respect to one or more of the other Components.

A "Component Business Day" means, with respect to each Component, any day on which the Relevant Exchange and each Related Exchange are scheduled to be open for trading.

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

The "Maturity Date" is [l]. The Notes are expected to mature on October [l], 2009 unless such date is not a Business Day, in which case the Maturity Date shall be the next Business Day. If the Valuation Date is postponed, the Maturity Date will be three Business Days following the Valuation Date, as postponed for the last Component for which a Final Level is determined.

The "Calculation Agent" is Bear, Stearns & Co. Inc.

The "Relevant Exchanges" means (i) the New York Stock Exchange, Nasdaq Stock Market and their successors with respect to the SPX; (ii) the major stock exchanges, respectively located in one of 12 European countries, including London Stock Exchange, Frankfurt Stock Exchange and their successors with respect to the SX5E; and (iii) the Tokyo Stock Exchange and its successor (the "TSE") with respect to the NKY, which, for each Component, represents the primary exchanges or markets of trading of any security then included in such Component.

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

Illustrative Examples

The following hypothetical examples are for illustrative purposes and are not indicative of the future performance of the Components, the Portfolio or the future value of the Notes. The following hypothetical examples demonstrate the hypothetical Cash Settlement Value of a Note based on the assumptions outlined below. The hypothetical examples do not purport to be representative of every possible scenario concerning increases or decreases in the Components or the Portfolio Value. You should not construe these examples as an indication or assurance of the expected performance of the Notes. Actual returns may be different. Numbers may be rounded for ease of use. 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 Level for the SPX is equal to 1,525.00.
- The Initial Level for the SX5E is equal to 4,400.00.
- The Initial Level for the NKY is equal to 16,500.00.
- All returns are based on a 24-month term, pre-tax basis.
- No Market Disruption Events or Events of Default occur during the term of the Notes.

Example 1: At maturity, the Final Portfolio Value is greater than the Initial Portfolio Value.

In this example, the Portfolio Value generally increases relative to the Initial Portfolio Value over the term of the Notes. On the Valuation Date, the Final Levels for the SPX, SX5E, and NKY are 1,760.00, 4,713.00, and 29,507.00, respectively. On the Valuation Date, the Final Portfolio Value is equal to 133.78, as calculated below:

The Final Portfolio Value equals the following:
= 133.78

The Portfolio Return equals the difference of (i) the Final Portfolio Value divided by the Initial Portfolio Value minus (ii) one, or as follows:

In this example, using the formula below, the Cash Settlement Value will equal $1,456.03.

Cash Settlement Value

Example 2: At maturity, the Final Portfolio Value is less than the Initial Portfolio Value.

In this example, the Portfolio Return on the Valuation Date is less than zero. On the Valuation Date, the Final Levels for the SPX, SX5E, and NKY are 1,291.00, 3,635.00, and 11,586.00, respectively. On the Valuation Date, the Final Portfolio Value is equal to 79.16, as calculated below:

The Final Portfolio Value equals the following:

= 79.16

The Portfolio Return equals the difference of (i) the Final Portfolio Value divided by the Initial Portfolio Value minus (ii) one, or as follows:

In this example, since the Portfolio Return would be less than zero, the Cash Settlement Value for each Note, using the formula below, would be $791.60.

Cash Settlement Value

Example 3: During the term of the Notes, the levels of the Components fluctuate and at maturity the Final Portfolio Value is slightly greater than the Initial Portfolio Value.

In this example, during the term of the Notes the levels of the Components fluctuate and the Portfolio Return on the Valuation Date is slightly greater than zero. On the Valuation Date, the Final Levels for the SPX, SX5E, and NKY are 2,093.00, 4,642.00, and 9,950.00, respectively. On the Valuation Date, the Final Portfolio Value is equal to 101.02, as calculated below:

The Final Portfolio Value equals the following:

= 101.02

The Portfolio Return equals the difference of (i) the Final Portfolio Value divided by the Initial Portfolio Value minus (ii) one, or as follows:

In this example, using the formula below, the Cash Settlement Value will equal $1,013.77.

Cash Settlement Value

Summary of Illustrative Examples 1-3 Reflecting the Relevant Cash Settlement Value

	Example 1	**Example 2**	**Example 3**
Initial Portfolio Value	100.00	100.00	100.00
Hypothetical Final Portfolio Value	133.78	79.16	101.02
Portfolio Return (expressed as a percentage)	33.78%	-20.84%	1.02%
Upside Participation Rate	135%	135%	135%
Hypothetical Return on Investment	45.60%	-20.84%	1.38%
Cash Settlement Value per Note	$1,456.03	$791.60	$1,013.77

Discontinuance of one or more Components

If a Sponsor discontinues publication of or otherwise fails to publish any Component and such Sponsor or another entity publishes a successor or substitute Component that the Calculation Agent determines to be comparable to the discontinued Component (the new Component being referred to as a "Successor Component"), then the Final Level for that Component will be determined by reference to the level of the Successor Component at the close of trading on the Relevant Exchanges or markets for the Successor Component on the Valuation Date.

Upon any selection by the Calculation Agent of a Successor Component, the Calculation Agent will cause notice thereof to be furnished to us and the Trustee. If a Successor Component is selected by the Calculation Agent, the Successor Component will be used as a substitute for the Component for all purposes, including for purposes of determining whether a Market Disruption Event exists with respect to the Component.

If a Component is discontinued or if a Sponsor fails to publish the Component prior to, and such discontinuance is continuing on the Valuation Date and the Calculation Agent determines that no Successor Component is available at such time, then the Calculation Agent will determine the level to be used for the Final Level for that Component on the Valuation Date, for such Component. The Final Level to be used for the Valuation Date, will be computed by the Calculation Agent in accordance with the formula for and method of calculating that Component last in effect prior to the discontinuance, failure or modification but using only those securities that comprised that Component immediately prior to such discontinuance, failure or modification. In such event, the Calculation Agent will cause notice thereof to be furnished to us and the Trustee.

Notwithstanding these alternative arrangements, discontinuance of the publication of the Component may adversely affect the value of, and trading in, the Notes.

Adjustments to the Components

If at any time the method of calculating a Component or a Successor Component is changed in a material respect, or if a Component or a Successor Component is in any other way modified so that such Component or Successor Component does not, in the opinion of the Calculation Agent, fairly represent the level of the Component or Successor Component had such changes or modifications not been made, then, for purposes of calculating the Final Levels or the Cash Settlement Value or making any other determinations as of or after such time, the Calculation Agent will make such calculations and adjustments as, the Calculation Agent determines may be necessary in order to arrive at a level of a Component comparable to the Component or Successor Component, as the case may be, as if such changes or modifications had not been made, and calculate the Cash Settlement Value (including the components thereof) with reference to the Component or the Successor Component, as adjusted. Accordingly, if the method of calculating a Component or Successor Component is modified so that the level of that Component is a fraction of what it would have been if it had not been modified (e.g., due to a split in the Component), then the Calculation Agent will adjust that Component in order to arrive at a level of the Component or the Successor Component as if it had not been modified (e.g., as if such split had not occurred). In such event, the Calculation Agent will cause notice thereof to be furnished to us and the Trustee.

In the event that, on the Valuation Date, a Component is not calculated by the relevant Sponsor but is calculated by a third party acceptable to the Calculation Agent, the Calculation Agent will use such third party's calculation as its reference for determining the Final Portfolio Value.

Market Disruption Events

If there is a Market Disruption Event with respect to a Component on the Valuation Date, the Final Level of that Component will be determined on the first succeeding Component Business Day on which there is no Market Disruption Event with respect to that Component. In no event, however, will the Valuation Date be a date that is postponed by more than three Component Business Days following the original date that, but for the Market Disruption Event, would have been the Valuation Date. In that case, the third Component Business Day will be deemed to be the Valuation Date, notwithstanding the Market Disruption Event, and the Calculation Agent will determine the level of that Component on that third Component Business Day in accordance with the formula for and method of calculating the applicable underlying Component in effect prior to the Market Disruption Event using the closing level of each security underlying the Component as described above (or, if trading in any such security has been materially suspended or materially limited, the Calculation Agent's estimate of the closing level that would have prevailed but for such suspension or limitation) as of that third Component Business Day. For the avoidance of doubt, if no Market Disruption Event exists with respect to a Component, the Final Level of that Component shall be determined on the scheduled Valuation Date. In the event of a Market Disruption Event on the Valuation Date, the Maturity Date will be three Business Days following the Valuation Date, as postponed for the last Component for which a Final Level is determined.

A "Market Disruption Event" with respect to a Component means the occurrence or existence at any time of a condition specified below that the Calculation Agent determines to be material:

(a) any suspension of or limitation imposed on trading by any Relevant Exchange or Related Exchange or otherwise, and whether by reason of movements in price exceeding limits permitted by the Relevant Exchanges or Related Exchanges or otherwise, (A) relating to any security underlying a Component or (B) in futures or options contracts relating to the Component on any Related Exchange;

(b) any event (other than an event described in (c) below) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for or relating to any security underlying a Component or (B) to effect transactions in, or obtain market values for, futures or options contracts relating to the Component on any Related Exchange;

(c) the closure on any Component Business Day of any Relevant Exchange relating to any security underlying a Component or any Related Exchange prior to its weekday closing time, without regard to after hours or any other trading outside of the regular trading session hours, unless such earlier closing time is announced by such Relevant Exchange or Related Exchange at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Relevant Exchange or Related Exchange on such Component Business Day for such Relevant Exchange or Related Exchange and (ii) the submission deadline for orders to be entered into the Relevant Exchange system for execution at the close of trading on such Component Business Day for such Relevant Exchange or Related Exchange; or

(d) any Component Business Day on which any Relevant Exchange or Related Exchange fails to open for trading during its regular trading session.

For the purposes of determining whether a Market Disruption Event in respect of the Component exists at any time, if a Market Disruption Event occurs in respect of a security included in the Component at any time, then the relevant percentage contribution of that security to the level of the Component shall be based on a comparison of (x) the portion of the level of the Component attributable to that security and (y) the overall level of the Component, in each case immediately before the occurrence of such Market Disruption Event.

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

"Relevant Exchange" means the primary exchange or market of trading of any security then included in the Component.

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

For purposes of the above definition:

(a) a limitation on the hours in a trading day and/or number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the Relevant Exchange, and

(b) for purposes of clause (a) above, any limitations on trading during significant market fluctuations, under NYSE Rule 80B, NASD Rule 4120 or any analogous rule or regulation enacted or promulgated by the NYSE, NASD or any other self regulatory organization or the SEC of similar scope as determined by the Calculation Agent, will be considered "material."

Redemption; Defeasance

The Notes are not subject to redemption before maturity, and are not subject to the defeasance provisions described in the section "Description of Debt Securities—Defeasance" in the accompanying prospectus.

Events of Default and Acceleration

If an Event of Default (as defined in the accompanying prospectus) with respect to any Notes has occurred and is continuing, then the amount payable to you, as a holder of a Note, upon any acceleration permitted by the Notes will be equal to the Cash Settlement Value as though the date of early repayment were the Maturity Date of the Notes, adjusted by an amount equal to any losses, expenses and costs to us of unwinding any underlying or related hedging or funding arrangements, all as determined by the Calculation Agent. If a bankruptcy proceeding is commenced in respect of us, the claims of the holder of a Note may be limited under Title 11 of the United States Code.

Same-Day Settlement and Payment

Settlement for the Notes will be made by Bear Stearns in immediately available funds. Payments of the Cash Settlement Value will be made by us in immediately available funds, so long as the Notes are maintained in book-entry form.

Calculation Agent

The Calculation Agent for the Notes will be Bear Stearns. 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 holders of the Notes, absent manifest error and provided the Calculation Agent shall be required to act in good faith in making any determination. Manifest error by the Calculation Agent, or any failure by it to act in good faith, in making a determination adversely affecting the payment of principal, interest or premium on principal to holders would entitle the holders, or the Trustee acting on behalf of the holders, to exercise rights and remedies available under the Indenture. If the Calculation Agent uses its discretion to make any determination, the Calculation Agent will notify us and the Trustee, who will provide notice to the registered holders of the Notes.

DESCRIPTION OF THE PORTFOLIO

All disclosures contained in this Supplement regarding the Components are derived from publicly available information. Neither the Bank nor any Agent takes any responsibility for the accuracy or completeness of such information.

The S&P 500® Index (“SPX”)

We have derived all information relating to the SPX, including, without limitation, its make-up, performance, method of calculation and changes in its components, from publicly available sources. That information reflects the policies of and is subject to change by Standard & Poor’s. Standard & Poor’s is under no obligation to continue to publish, and may discontinue or suspend the publication of the SPX at any time.

Standard & Poor’s publishes the SPX. The SPX is a capitalization-weighted index and is intended to provide an indication of the pattern of common stock price movement. The calculation of the level of the SPX, discussed below in further detail, is based on the relative value of the aggregate market value of the common stocks of 500 companies as of a particular time compared to the aggregate average market value of the common stocks of 500 similar companies during the base period of the years 1941 through 1943. As of September 26, 2007, shares of 426 companies included in the SPX are traded on the New York Stock Exchange and shares of 74 companies included in the SPX are traded on The Nasdaq Stock Market. Standard & Poor’s chooses companies for inclusion in the SPX with the aim of achieving a distribution by broad industry groupings that approximates the distribution of these groupings in the common stock population of the New York Stock Exchange (the “NYSE”), which Standard & Poor’s uses as an assumed model for the composition of the total market. Relevant criteria employed by Standard & Poor’s include the viability of the particular company, the extent to which that company represents the industry group to which it is assigned, the extent to which the market price of that company’s common stock is generally responsive to changes in the affairs of the respective industry and the market value and trading activity of the common stock of that company. Ten main groups of companies comprise the SPX with the number of companies included in each group, as of September 26, 2007, indicated in parenthesis: Industrials (53), Utilities (31), Telecommunication Services (9), Materials (28), Information Technology (74), Energy (32), Consumer Staples (39), Consumer Discretionary (88), Healthcare (53) and Financials (93). Changes in the SPX are reported daily in the financial pages of many major newspapers, on the Bloomberg Financial Service under the symbol “SPX” and on the Standard & Poor’s website (http://www.spglobal.com). Information contained in the Standard & Poor’s website is not incorporated by reference in, and should not be considered a part of, this pricing supplement. The SPX does not reflect the payment of dividends on the stocks included in the SPX.

Computation of the SPX

Standard & Poor’s currently computes the SPX as of a particular time as follows:

(i) the product of the market price per share and the number of then outstanding shares of each component stock as determined as of that time (referred to as the “market value” of that stock);

(ii) the market values of all component stocks as of that time are aggregated;

(iii) the average of the market values as of each week in the base period of the years 1941 through 1943 of the common stock of each company in a group of 500 substantially similar companies is determined;

(iv) the mean average market values of all these common stocks over the base period are aggregated (the aggregate amount being referred to as the “Base Value”);

(v) the current aggregate market value of all component stocks is divided by the Base Value; and

(vi) the resulting quotient, expressed in decimals, is multiplied by ten.

While Standard & Poor’s currently employs the above methodology to calculate the SPX, no assurance can be given that Standard & Poor’s will not modify or change this methodology in a manner that may affect the performance of the SPX.

Standard & Poor’s adjusts the foregoing formula to offset the effects of changes in the market value of a component stock that are determined by Standard & Poor’s to be arbitrary or not due to true market fluctuations.

These changes may result from causes such as:

- the issuance of stock dividends,
- the granting to shareholders of rights to purchase additional shares of stock,
- the purchase of shares by employees pursuant to employee benefit plans,
- consolidations and acquisitions,
- the granting to shareholders of rights to purchase other securities of the company,
- the substitution by Standard & Poor's of particular component stocks in the SPX, and
- other reasons.

In these cases, Standard & Poor's first recalculates the aggregate market value of all component stocks, after taking account of the new market price per share of the particular component stock or the new number of outstanding shares of that stock or both, as the case may be, and then determines the new base value in accordance with the following formula:

The result is that the base value is adjusted in proportion to any change in the aggregate market value of all component stocks resulting from the causes referred to above to the extent necessary to negate the effects of these causes upon the SPX.

In addition, Standard & Poor's' standard practice is to remove all closely held shares and shares held between corporations who are both in the calculations of the SPX and an Index component's market value.

License Agreement with Standard and Poor's

The Company has entered, or is exploring entering, into a non-exclusive license agreement with Standard & Poor's providing for the license to us, in exchange for a fee, of the right to use the SPX, which is owned and published by Standard & Poor's, in connection with certain securities, including the Notes.

The license agreement between Standard & Poor's and us provides that the following language must be set forth in this pricing supplement.

"The Notes are not sponsored, endorsed, sold or promoted by Standard & Poor's. Standard & Poor's makes no representation or warranty, express or implied, to the owners of the Notes or any member of the public regarding the advisability of investing in securities generally or in the Notes particularly. Standard & Poor's only relationship to us is the licensing of certain trademarks, trade names and service marks of Standard & Poor's and of the SPX, which is determined, composed and calculated by Standard & Poor's without regard to us or the Notes. Standard & Poor's has no obligation to take our needs or the needs of holders of the Notes into consideration in determining, composing, or calculating the SPX. Standard & Poor's is not responsible for and has not participated in the determination of the timing of, prices at which Notes are sold, or quantities of the Notes to be issued or in the determination or calculation of the amount payable at maturity. Standard & Poor's has no obligation or liability in connection with the administration, marketing, or trading of the Notes.

Standard & Poor's does not guarantee the accuracy and/or the completeness of the SPX or any data included therein and Standard & Poor's shall have no liability for any errors, omissions, or interruptions therein. Standard & Poor's makes no warranty, express or implied, as to results to be obtained by us, owners of the Notes, or any other person or entity from the use of the SPX or any data included therein. Standard & Poor's makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to the SPX or any data included therein. Without limiting any of the foregoing, in no event shall Standard & Poor's have any liability for any lost profits or indirect, punitive, special, or consequential damages or losses, even if notified of the possibility thereof. There are no third party beneficiaries or any agreements or arrangements between Standard & Poor's and the Company."

Historical Data on the SPX

The following table sets forth the month-end closing index levels of the SPX for each month in the period from January 1998 through September 2007. The SPX's closing index levels listed below were obtained from the Bloomberg Financial Service, without independent verification by the Company. **The historical values of the SPX should not be taken as an indication of future performance, and no assurance can be given that the level of the SPX will increase relative to its Initial Level during the term of the Notes.**

The closing index level of the SPX on September 28, 2007 was 1,526.75.

Month End Closing Index Levels: January 1998 - September 2007

	1998	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
January	980.28	1,279.64	1,394.46	1,366.01	1,130.20	855.70	1,131.13	1,181.27	1,280.08	1,438.24
February	1,049.34	1,238.33	1,366.42	1,239.94	1,106.73	841.15	1,144.94	1,203.60	1,280.66	1,406.82
March	1,101.75	1,286.37	1,498.58	1,160.33	1,147.39	848.18	1,126.21	1,180.59	1,294.83	1,420.86
April	1,111.75	1,335.18	1,452.43	1,249.46	1,076.92	916.92	1,107.30	1,156.85	1,310.61	1,482.37
May	1,090.82	1,301.84	1,420.60	1,255.82	1,067.14	963.59	1,120.68	1,191.50	1,270.09	1,530.62
June	1,133.84	1,372.71	1,454.60	1,224.42	989.82	974.50	1,140.84	1,191.33	1,270.20	1,503.35
July	1,120.67	1,328.72	1,430.83	1,211.23	911.62	990.31	1,101.72	1,234.18	1,276.66	1,455.27
August	957.28	1,320.41	1,517.68	1,133.58	916.07					