BEAR STEARNS COMPANIES INC
Form 424B2
March 06, 2007

Title of Each Class of Securities Offered		Maximum Aggregate Offering Price		Amount of Registration Fee(1)
Medium-Term Notes, Series B		$2,000,000		$61.40

(1) Calculated in accordance with Rule 457(r) of the Securities Act of 1933, as amended. The filing fee of $61.40 is being paid in connection with the registration of these Medium-Term Notes, Series B.

Filed pursuant to Rule 424(b)(2)

Registration No. 333-136666
PRICING SUPPLEMENT
(To Prospectus dated August 16, 2006 and
Prospectus Supplement dated August 16, 2006)

The Bear Stearns Companies Inc.
$2,000,000 Accelerated Market Participation Securities
Linked to the PHLX Oil Service Sector℠ Index, Due September 5, 2008

- The Notes are linked to the performance of the PHLX Oil Service Sector℠ Index (the "Index") and are not principal protected. When we refer to Notes in this pricing supplement, we mean Notes with a principal amount of $1,000. On the Maturity Date, you will receive the "Cash Settlement Value," an amount in cash depending on the relation of the Final Index Level to the Initial Index Level.

- If, at maturity, the Final Index Level is greater than or equal to the Initial Index Level, the Cash Settlement Value is equal to, per Note, the principal amount of the Note, plus the lesser of:

  - 300.00% of the percentage increase in the Index, multiplied by the principal amount of the Note, and

  - 29.00% (the maximum return on the Notes) multiplied by the principal amount of the Note.

Thus, if the Final Index Level is greater than 109.67% of the Initial Index Level, regardless of the extent to which the Final Index Level is greater than the Initial Index Level, we will pay you $1,290.00 per Note, which represents a maximum return of 29.00%.

- If, at maturity, the Final Index Level is less than the Initial Index Level, you will receive less, and possibly significantly less, than your initial investment in the Notes. In this case, the Cash Settlement Value is equal to, per Note:

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

- The CUSIP number for the Notes is 073928U35.

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 A SECONDARY MARKET IN THE NOTES, AND IF THERE WERE TO BE A SECONDARY MARKET, IT MAY NOT BE LIQUID. YOU SHOULD REFER TO “RISK FACTORS” BEGINNING ON PAGE PS-10.

“PHLX Oil Service Sector[SM]” is a trademark of the Philadelphia Stock Exchange, Inc. (“PHLX” or the “Sponsor”) and is in contemplation of being licensed for use for certain purposes by The Bear Stearns Companies Inc. The Notes are not sponsored, endorsed, sold or promoted by PHLX, and PHLX makes no representation regarding the advisability of investing in the Notes.

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

	Per Note	**Total**
Initial public offering price[1]	100.00%[2]	$2,000,000
Agent’s discount	2.00%	$40,000
Proceeds, before expenses, to us	98.00%	$1,960,000

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

[2] Any additional reissuances will be offered at a price to be determined at the time of pricing of each offering of Notes, which will be a function of the prevailing market conditions and the level of the Index 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 March 7, 2007 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. a 30-day option from the date of this pricing supplement to purchase from us up to an additional $300,000 of Notes at the public offering price to cover any over-allotments.

Bear, Stearns & Co. Inc.
March 2, 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 Index. You should carefully read this entire pricing supplement and the accompanying prospectus supplement and prospectus to fully understand the terms of the Notes, as well as 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 "we," "us" and "our" refer only to The Bear Stearns Companies Inc. excluding its consolidated subsidiaries. The term "Bear Stearns" refers only to our subsidiary Bear Stearns & Co. Inc.

The Bear Stearns Companies Inc. Medium-Term Notes, Series B, Accelerated Market Participation Securities ("AMPS"), Linked to the PHLX Oil Service Sector[SM] Index, due September 5, 2008 (the "Notes") are Notes whose return is tied or "linked" to the performance of the Index. When we refer to Note or Notes in this pricing supplement, we mean Notes each with a principal amount of $1,000. The Notes are not principal protected. On the Maturity Date, you will receive the Cash Settlement Value, an amount in cash depending on the relation of the Final Index Level to the Initial Index Level. If, at maturity, the Final Index Level is greater than or equal to the Initial Index Level, the Cash Settlement Value is equal to, per Note, the principal amount of the Note, plus the lesser of (i) 300.00% of the percentage increase in the Index multiplied by the principal amount of the Note, and (ii) 29.00% (the maximum return on the Notes) multiplied by the principal amount of the Note. Thus, if the Final Index Level is greater than 109.67% of the Initial Index Level, regardless of the extent to which the Final Index Level is greater than the Initial Index Level, we will pay you $1,290.00 per Note, which represents a maximum return of 29.00%. If, at maturity, the Final Index Level is less than the Initial Index Level, you will receive less, and possibly significantly less, than your initial investment in the Notes. In this case, we will pay you $1,000 multiplied by the amount, in percentage terms, equal to the Final Index Level divided by the Initial Index Level.

Selected Investment Considerations

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

- Notes bullish on the oil services industry sector—The Index is concentrated in the oil services industry sector. The Notes may be an attractive investment for investors who have a bullish view of the oil services industry sector over the term of the Notes.

- Potential leverage in the increase, if any, in the Index—If held to maturity, the Notes allow you to participate in 300.00% of the potential increase in the Index, not to exceed the maximum return of 29.00%, representing a 9.67% increase in the Initial Index Level.

- Minimum investment—The minimum purchase is $1,000, with increments of $1,000 thereafter.

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

Selected Risk Considerations

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

- Maximum return of 29.00%—You will not receive more than the maximum return of 29.00% at maturity. Because the maximum return on the Notes is 29.00%, the maximum Cash Settlement Value is $1,290.00-. Therefore, the Cash Settlement Value will not reflect the increase in the value of the Notes if the Initial Index Level increases by more than 9.67%.

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

- Diversification—Because the Index consists of companies in the oil services industry, an investment in the Notes will be concentrated in this industry. As a result, the value of the Notes may be subject to greater volatility and may be more adversely affected by a single economic, political or regulatory occurrence affecting this industry than a different investment linked to stock of a more broadly diversified group of issuers.

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

KEY TERMS

Issuer: The Bear Stearns Companies Inc.

Index: PHLX Oil Service Sector[SM] Index (ticker "OSX"), as published by the Philadelphia Stock Exchange, Inc. (the "Sponsor").

Face amount: 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 $2,000,000. 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.

Cash Settlement Value: On the Maturity Date, you will receive the Cash Settlement Value, an amount in cash that depends upon the relation of the Final Index Level to the Initial Index Level. If, at maturity, the Final Index Level is greater than or equal to the Initial Index Level, the Cash Settlement Value is equal to, per Note, the principal amount of the Notes, plus the lesser of:

, and

$290.00.

Thus, if the Final Index Level is greater than 109.67% of the Initial Index Level, regardless of the extent to which the Final Index Level is greater than the Initial Index Level, we will pay you $1,290.00 per Note, which represents a maximum return of 29.00%.

If, at maturity, the Final Index Level is less than the Initial Index Level, you will receive less, and possibly significantly less, than the principal you invested. In this case, the Cash Settlement Value is equal to, per Note:

Interest: The Notes will not bear interest.

Upside Participation Rate: 300.00%

Initial Index Level: Equals 195.12, the closing level of the Index on March 2, 2007.

Final Index Level: The Final Index Level will be determined by the Calculation Agent and will equal the closing level of the Index on the Calculation Date.

Calculation Date: September 2, 2008 unless such date is not an Index Business Day, in which case the Calculation Date shall be the next Index Business Day. The Calculation Date is subject to adjustment as described under "Description of the Notes—Market Disruption Events."

Maturity Date:	The Notes are expected to mature on September 5, 2008 unless such date is not an Index Business Day, in which case the Maturity Date shall be the next Index Business Day. If the Calculation Date is adjusted due to the occurrence of a Market Disruption Event, the Maturity Date will be three Index Business Days following the adjusted Calculation Date.

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

Index Business Day: Means any day on which the Primary Exchange and each Related Exchange are scheduled to be open for trading.

Calculation Agent: Bear Stearns & Co. Inc. ("Bear Stearns"). See "Description of the Notes—Calculation Agent").

Related Exchange: Means 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.

Primary Exchange: Means the primary exchange or market of trading of any security then included in the Index.

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 debt securities, the value of which is linked to the performance of the Index. The Notes will not bear interest, and no payments will be made prior to maturity. The Notes will mature on September 5, 2008. The Notes do not provide for earlier redemption. When we refer to Note or Notes in this pricing supplement, we mean Notes each with a principal amount of $1,000.

The Notes differ from traditional debt securities in that the Notes are not principal protected and offer the opportunity to participate in 300.00% of the positive performance of the Index, if any, subject to a maximum return of 29.00%. If, at maturity, the Final Index Level is less than the Initial Index Level, you will receive less, and possibly significantly less, than your initial investment in the Notes.

You should refer to the section "Description of Notes" for a detailed description of the Notes prior to making an investment in the Notes.

Are the Notes principal protected?

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

Are there any risks associated with my investment?

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

What will I receive at maturity of the Notes?

The Notes are not principal protected. If the Final Index Level is less than the Initial Index Level, the Cash Settlement Value you will receive will be less than the initial offering price in proportion to the percentage decline in the Index. In that case, you will receive less, and possibly significantly less, than your initial investment in the Notes. On the Maturity Date, you will receive the Cash Settlement Value, an amount in cash that depends upon the relation of the Final Index Level to the Initial Index Level. At maturity, if the Final Index Level is less than the Initial Index Level, the Cash Settlement Value will be less than the initial offering price in proportion to the percentage decline in the Index.

If, at maturity, the Final Index Level is greater than or equal to the Initial Index Level, the Cash Settlement Value is equal to the principal amount of the Notes, plus the lesser of:

, and

$290.00.

Thus, if the Final Index Level is greater than 109.67% of the Initial Index Level, regardless of the extent to which the Final Index Level is greater than the Initial Index Level, we will pay you $1,290.00 per Note, which represents a maximum return of 29.00%.

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

The “Upside Participation Rate” equals 300.00%.

The “Initial Index Level” equals 195.12, the closing level of the Index on March 2, 2007.

The “Final Index Level” will be determined by the Calculation Agent and will equal the closing level of the Index on the Calculation Date.

The “Calculation Date” will be September 2, 2008 unless such date is not an Index Business Day, in which case the Calculation Date shall be the next Index Business Day. The Calculation Date is subject to adjustment as described under “Description of the Notes - Market Disruption Events”.

The “Maturity Date” is expected to be September 5, 2008 unless such date is not an Index Business Day, in which case the Maturity Date shall be the next Index Business Day. If the Calculation Date is adjusted due to the occurrence of a Market Disruption Event, the Maturity Date will be three Index Business Days following the adjusted Calculation Date.

“Related Exchange” means 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.

“Primary Exchange” means the primary exchange or market of trading of any security then included in the Index.

“Index Business Day” means any day on which the Primary Exchange and each Related Exchange are scheduled to be open for trading.

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

Will there be 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 and (ii) any future issuances of Notes bearing the same CUSIP number. The price of any additional offerings will be determined at the time of pricing of each offering, which will be a function of the prevailing market conditions and level of the Index at the time of the relevant sale.

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.

What is the Index?

Unless otherwise stated, all information on the Index that is provided in this pricing supplement is derived from the Sponsor or other publicly available sources. The Index is a price-weighted index composed of fifteen companies that provide oil drilling and production services, oil field equipment, support services and geophysical/reservoir services. The Index was set to an initial level of 75 on December 31, 1996 and options commenced trading on the Index on February 24, 1997.

As of February 7, 2007, the common stocks of 14 companies, or 98.11% of the Index, based on such companies' price-weighting, were traded on the New York Stock Exchange ("NYSE"); the common stocks of 1 company, or 1.89% of the Index, based on such company's price-weighting, was traded on The Nasdaq Stock Market ("Nasdaq"). As of that date, none of the common stocks included in the Index were companies traded on the American Stock Exchange ("AMEX").

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

How has the Index performed historically?

We have provided tables and graphs depicting the monthly performance of the Index from February 1998 through January 2007. You can find these tables and graphs in the section "Description of the Index - Historical Data on the Index." We have provided this historical information to help you evaluate the behavior of the Index in various economic environments; however, past performance is not indicative of the manner in which the Index will perform in the future. You should refer to the section "Risk Factors - The historical performance of the Index is not an indication of the future performance of the Index."

Will the Notes be listed on a securities exchange?

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

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 also will be our Calculation Agent for purposes of calculating the Cash Settlement Value. Under certain circumstances, these duties could result in a conflict of interest between Bear Stearns' status as our subsidiary and its responsibilities as Calculation Agent. 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 price performance of an underlying equity index, they may be appropriate for investors with specific investment horizons who seek to participate in the potential price appreciation of the underlying stocks comprising the Index. In particular, the Notes may be an attractive investment for investors who:

- want potential upside exposure to stocks of companies in the oil services industry sector which comprise the Index;
- believe that the Index will increase over the term of the Notes and that such increase will not substantially exceed 9.67%, since the Cash Settlement Amount will not reflect any increase in the Index above this percentage;
- are willing to risk the possible loss of 100% of their investment in exchange for the opportunity to participate in 300.00% of the appreciation, if any, in the Index of up to 9.67% (which represents a maximum return per Note of 29.00%), and
- are willing to forgo interest payments on the Notes or dividend payments on the stocks underlying the Index.

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 seek an investment that offers the possibility to fully participate in the potential appreciation of the Index (since the return on the Notes is capped at 29.00%);
- you seek an investment that is diversified across several industry groups, since the Index is concentrated in the oil services industry sector;
- you seek an investment with an active secondary market;
- you are unable or unwilling to hold the Notes until maturity; or
- you do not have a bullish view of the Index over the term of the Notes.

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

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

Does ERISA impose any limitations on purchases of the Notes?

An employee benefit plan subject to the fiduciary responsibility provisions of the Employee Retirement Income Security Act of 1974, 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 other 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" herein before investing in the Notes.

RISK FACTORS

Your investment in the Notes involves a degree of risk similar to investing in the Index. However, your ability to participate in the appreciation of the Index is limited. The maximum return on the Notes is 29.00%. Therefore, the maximum Cash Settlement Value is $1,290.00 and the Cash Settlement Value will not reflect the full increase in the Index if the Initial Index Level increases by more than 9.67%. You will be subject to significant risks not associated with conventional fixed-rate or floating-rate debt securities. Prospective purchasers should recognize the possibility of a substantial loss with respect to their investment in the Notes. Prospective purchasers of the Notes should understand the risks of investing in the Notes and should reach an investment decision only after careful consideration, with their advisers, of the suitability of the Notes in light of their particular financial circumstances, the following risk factors and the other information set forth in this pricing supplement and the accompanying prospectus supplement and prospectus. These risks include the possibility that the Index will fluctuate, and the possibility that you will receive a substantially lower amount of principal than the amount you invested. 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, and 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 the Final Index Level is less than the Initial Index Level, the Cash Settlement Value you will receive will be less than the initial offering price, in proportion to the percentage decline in the Index. You may receive less, and possibly significantly less, than 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, if any, 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."

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

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

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

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

Your return on the Notes will not exceed 29.00% over the term of the Notes, regardless of the positive percentage increase of the Final Index Level over the Initial Index Level.

If the Final Index Level appreciates by more than 9.67%, the Cash Settlement Value you will receive will equal the principal amount of the Notes, plus the product of the principal amount of Notes and 29.00%. Under these circumstances, the Cash Settlement Value you receive at maturity will not fully reflect the performance of the Index.

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

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

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

We expect that the level of the Index will fluctuate in accordance with changes in the financial condition of the companies issuing the common stocks comprising the Index, the level of the underlying common stocks comprising the Index generally and other factors. The financial condition of the companies issuing the common stocks comprising the Index may become impaired or the general condition of the equity market may deteriorate, either of which may cause a decrease in the level of the Index 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 common stocks comprising the Index change. Investor perceptions regarding the companies issuing the common stocks comprising the Index 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 level of the Index is expected to fluctuate until the Maturity Date.

The Index is highly concentrated in a specific market segment.

The Index is subject to the downside risk of an investment in a specific industry sector (the oil services industry sector, including providing oil drilling and production services, oil field equipment, support services and geophysical/reservoir services). This includes the risk that the value of assets underlying this industry sector may decline, and thereby adversely affect the market value of the Notes. The negative performance of a single security (or group of securities) may have a more significant adverse affect on the Index than a more diversified index, and the Index may be subject to greater price volatility than a more diversified index. Furthermore, the Index may be more susceptible to any single economic, political, or regulatory occurrence than an index with underlying securities that are broadly diversified across several industry sectors.

Risks Relating to the Index

The performance of the Notes will be subject to the risks in any investment in the oil services industry sector, including the risk that the general level of energy prices may decline. The following is a list of some of the significant risks associated with the Index that may have a negative effect on the level of the Index and thus adversely affect the amount you would receive at maturity.

- Trading prices of the components of the Index will be influenced by political, economic, financial, market and other factors. It is impossible to predict what effect these factors will have on the value of any components of the Index or on the level of the Index and thus, the return on the Notes;

- Trading prices for oil will affect the prices of the oil services industry companies whose stocks underlie the Index. The market for oil is subject to temporary distortions, extreme price variations or other disruptions due to conditions of illiquidity in the markets, the participation of speculators, government regulation and intervention. It is impossible to predict what effect these disruptions will have on the value of any components of the Index or on the level of the Index and thus, the return on the Notes.

- The price of oil and the value of the components of the Index are affected by numerous factors, including, among other things, global and regional economic, global industrial demand, interest rate or currency fluctuations, financial, political, regulatory, judicial and other events, war (or the cessation thereof), technological advances, development of substitute products, terrorism, weather, supply, price levels, global energy levels and production levels, production costs and delivery costs. Such political, economic and other developments that affect oil prices and the components of the Index will affect the level of the Index and, thus, the value of the Notes.

- The oil services industry sector may be adversely affected by the promulgation of new laws or regulations or by the reinterpretation of existing laws or regulations (including, without limitation, those relating to oil exploration, development, production and delivery, the environment and taxes) by one or more governments, governmental agencies or instrumentalities, courts or other official bodies. Any such event could adversely affect the components of the Index and, correspondingly, could adversely affect the level of the Index and the value of the Notes.

- The value of the components of the Index and thus the level of the Index will be affected by expenditures and investments in oil exploration and other services by the oil industry.

- The price of oil and the value of the components of the Index can fluctuate widely due to supply and demand disruptions in major producing or consuming regions. A significant portion of world crude oil production capacity is controlled by a small number of producers, and such producers have in the recent past seen or implemented curtailments on output and trade, thus affecting the price of oil. In particular, recent disruptions, threatened disruptions or political, social or economic unrest or uncertainty in major producing regions including (but not limited to) Iraq, Iran, Nigeria and Venezuela, have affected the value of oil. In addition, recent growth in industrial production and gross domestic product has made China an oversized user of commodities (such as oil) and has increased the extent to which the value of oil relies on the Chinese markets. Political, economic and other developments that affect China will affect the value of oil and, thus, the value of the stocks underlying the Index, the level of the Index and the value of the Notes. Additional political developments and the outcome of meetings of the Organization of Petroleum Exporting Countries can particularly affect world oil supply and therefore oil prices and the value of the components of the Index. The introduction of substitute products for oil could also have an adverse effect on the price of oil and the value of the components of the Index.

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

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

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 Index, whether the level of the Index is greater than or equal to the Initial Index Level, changes in U.S. interest rates, the supply of and demand for the Notes and a number of other factors. Some of these factors are interrelated in complex ways; as a result, the effect of any one factor may be offset or magnified by the effect of another factor. The price, if any, at which you will be able to sell your Notes prior to maturity may be substantially less than the amount you originally invested if, at such time, the level of the Index is less than, equal to or not sufficiently above the Initial Index Level. 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.

- *Index performance*. We expect that the value of the Notes prior to maturity will depend substantially on whether the Final Index Level is greater than the Initial Index Level. If you decide to sell your Notes when the level of the Index exceeds the Initial Index Level, you may nonetheless receive substantially less than the amount that would be payable at maturity based on that Index Level because of expectations that the Index Level will continue to fluctuate until the Final Index Level is determined. Economic, financial, regulatory, geographic, judicial, political and other developments that affect the oil services industry sector companies whose stocks comprise the Index may also affect the level of the Index and, thus, the value of the Notes.

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

- *Interest rates*. We expect that the trading value of the Notes will be affected by changes in U.S. interest rates. In general, if U.S. interest rates increase, the value of the Notes may decrease, and if U.S. interest rates decrease, the value of the Notes is expected to increase. Interest rates may also affect the economy and, in turn, the level of the Index, which (for the reasons discussed above) would affect the value of the Notes. Rising interest rates may lower the level of the Index and, thus, the value of the Notes. Falling interest rates may increase the level of the Index 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 level of the Index, 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 level of the Index during the period prior to the maturity of the Notes. As the time remaining to the maturity of the Notes decreases, this time premium will likely decrease, potentially adversely affecting the trading value of the Notes. As the time remaining to maturity decreases, the trading value of the Notes and the supplemental return may be less sensitive to the volatility of the Index.

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

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

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

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 level of the Index.

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

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

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

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

Our affiliates, including Bear Stearns, may, at various times, engage in transactions involving the stocks underlying the Index for their proprietary accounts, and for other accounts under their management. These transactions may influence the value of such stocks, and therefore the level of the Index. 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 the section “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 its obligations under our hedge.

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

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

If the Sponsor discontinues or suspends calculation or publication of the Index, it may become difficult to determine the trading value of the Notes or the Cash Settlement Value. If this occurs, the Calculation Agent will determine the value of the Notes. As a result, the Calculation Agent's determination of the value of the Notes will affect the amount you will receive at maturity. In addition, if the Sponsor discontinues or suspends calculation of the Index at any time prior to the Maturity Date and a Successor Index (as defined herein) 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 Index. The level of the Index is only one of the factors that will affect this determination and the value of the Notes prior to maturity. See the sections "Description of the Notes - Discontinuance of the Index" and "Description of the Index."

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

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

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

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

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

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

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

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

We and our affiliates may from time to time buy or sell shares of the stocks underlying the Index or derivative instruments related to those stocks for our own accounts in connection with our normal business practices or in connection with hedging our obligations under the Notes 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 stocks or the level of the Index in a manner that would be adverse to your investment in the Notes. See the section "Use of Proceeds and Hedging."

The original issue price of the Notes includes the 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 level of the Index, including the Final Index Level, and, accordingly, increase or decrease the trading value of the Notes prior to maturity and the Cash Settlement Value you would receive at maturity. To the extent that we or any of our affiliates has a hedge position in any of the stocks that comprise the Index, or derivative or synthetic instruments related to those stocks or the Index, we or any of our affiliates may liquidate a portion of such holdings at or about the time of the maturity of the Notes or at or about the time of a change in the stocks that underlie the Index. Depending on, among other things, future market conditions, the aggregate amount and the composition of 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 level of the Index, we cannot assure you that these activities will not affect such level and the trading value of the Notes prior to maturity or the Cash Settlement Value payable at maturity.

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

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

We or one or more of our affiliates have published, and may in the future publish, research reports on the Index or the companies issuing the common stock included in the Index. This research may be modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the Notes. Any of these activities may affect the market price of common stocks included in the Index and, therefore, the Final Index Level and the value of the Notes.

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

We and our affiliates, at present or in the future, may engage in business with the companies issuing the common stock included in the Index, 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 Calculation Date, a Market Disruption Event has occurred or is continuing, the determination of the level of the Index by the Calculation Agent may be deferred. You should refer to the section "Description of the Notes - Market Disruption Events."

If the Calculation Agent determines that an Event of Default (as defined below) has occurred, a holder of the Notes will only receive an amount equal to the trading value of the Notes on the date of such Event of Default, adjusted by an amount equal to any losses, expenses and costs to us of unwinding any underlying hedging or funding arrangements, all as determined by the Calculation Agent. 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 $2,000,000. The Notes are expected to mature on September 5, 2008 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.

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

Interest

We will not make any periodic payments of interest on the Notes. 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 upon the relation of the Final Index Level to the Initial Index Level. At maturity, if the Final Index Level is less than the Initial Index Level, the Cash Settlement Value will be less than the initial offering price, in proportion to the percentage decline in the Index. In such a case, the principal amount of your investment is not protected and you will receive less, and possibly significantly less, than your initial investment in the Notes.

If, at maturity, the Final Index Level is greater than or equal to the Initial Index Level, the Cash Settlement Value is equal to, per Note, the principal amount of the Note, plus the lesser of:

, and

$290.00.

Thus, if the Final Index Level is greater than 109.67% of the Initial Index Level, regardless of the extent to which the Final Index Level is greater than the Initial Index Level, we will pay you $1,290.00 per Note, which represents a maximum return of 29.00%.

If, at maturity, the Final Index Level is less than the Initial Index Level, you will receive less, and possibly significantly less, than your initial investment in the Notes. In this case, the Cash Settlement Value is equal to, per Note:

The "Upside Participation Rate" is 300.00%.

The "Initial Index Level" equals 195.12, the closing level of the Index on March 2, 2007.

The "Final Index Level" will be determined by the Calculation Agent and will equal the closing level of the Index on the Calculation Date.

The "Calculation Date" will be September 2, 2008 unless such date is not an Index Business Day, in which case the Calculation Date shall be the next Index Business Day. The Calculation Date is subject to adjustment as described under "Description of the Notes - Market Disruption Events".

The "Maturity Date" is expected to be September 5, 2008 unless such date is not an Index Business Day, in which case the Maturity Date shall be the next Index Business Day. If the Calculation Date is adjusted due to the occurrence of a Market Disruption Event, the Maturity Date will be three Index Business Days following the adjusted Calculation Date.

"Related Exchange" means 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.

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

"Index Business Day" means any day on which the Primary Exchange and each Related Exchange are scheduled to be open for trading.

Illustrative Examples

The following tables and graphs are for illustrative purposes and are not indicative of the future performance of the Index or the future value of the Notes.

Because the level of the Index may be subject to significant fluctuation over the term of the Notes, it is not possible to present a chart or table illustrating the complete range of all possible Cash Settlement Values. Therefore, the examples do not purport to be representative of every possible scenario concerning increases or decreases in the Index. You should not construe these examples or the data included in table and graph as an indication or assurance of the expected performance of the Notes.

You can review the historical levels of the Index in the section of this pricing supplement called "Description of the Index." The historical performance of the Index included in this pricing supplement should not be taken as an indication of the future performance of the Index during the term of the Notes. It is impossible to predict whether the Final Index Level will be greater than or less than the Initial Index Level.

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

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

- Investor holds the Notes to maturity.
- The Initial Index Level is equal to 200.00.
- The Upside Participation Rate is 300.00%.

- The maximum return on the Notes is 29.00%.
- All returns are based on an 18-month term; pre-tax basis.
- No Market Disruption Events occur during the term of the Notes.

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

In this example, the Index rises over the term of the Notes. On the Calculation Date, the Final Index Level is 206.00, representing a 3.00% gain from the Initial Index Level. In this example, using the formula below, the Cash Settlement Value will equal $1,090.00.

Example 2: The Final Index Level is greater than 109.67% of the Initial Index Level, exceeding the maximum return on the Notes of 29.00%.

In this example, the Index rises over the term of the Notes. On the Calculation Date, the Final Index Level is 250.00 representing a 25.00% gain from the Initial Index Level. In this example, using the formula below, the Cash Settlement Value will equal $1,290.00.

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

In this example, the Index remains unchanged over the term of the Notes. On the Calculation Date, the Final Index Level is 200.00, equal to the Initial Index Level. In this example, using the formula below, the Cash Settlement Value will equal $1,000.00.

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

In this example, the Index declines over the term of the Notes. On the Calculation Date, the Final Index Level is 150.00, representing a 25.00% decrease in the level of the Index from the Initial Index Level. The Cash Settlement Value, using the formula below, will equal $750.00.

Summary of Examples 1 Through 4
Reflecting the Cash Settlement Value

	Example 1	Example 2	Example 3	Example 4
Initial Index Level	200.00	200.00	200.00	200.00
Hypothetical Final Index Level	206.00	250.00	200.00	150.00
Value of Final Index Level relative to the Initial Index Level	Higher	Higher	Equal	Lower
Principal fully repaid?	Yes	Yes	Yes	No
Cash Settlement Value per Note	$1,090.00	$1,290.00	$1,000.00	$750.00

Table of Hypothetical Cash Settlement Values

Initial Index Level	Final Index Level	Percentage Change in Index	Cash Settlement Value Per Note	Return if Held to Maturity		Initial Index Level	Final Index Level	Percentage Change in Index	Cash Settlement Value Per Note	Return if Held to Maturity
200.00	284.00	+42.00%	$ 1,290.00	29.00%		200.00	197.00	-1.50%	$ 985.00	-1.50%