BEAR STEARNS COMPANIES INC
Form 424B5
October 03, 2005

QuickLinks -- Click here to rapidly navigate through this document

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

The Bear Stearns Companies Inc.

$11,038,000 Linked to the PHLX Housing Sector Index℠
95% Principal Protected Notes
Due October 7, 2008

The Notes are linked to the potential **decline** in the PHLX Housing Sector Index℠ (the "Index"). When we refer to Notes in this pricing supplement, we mean Notes with a principal amount of $1,000. The minimum purchase is $5,000 with increments of $1,000 thereafter.

The Notes will allow you to participate in 106.00% of the potential **decline** in the Index, not to exceed the maximum return of 37.10%, representing a 35.00% decline in the Final Index Level. Upon maturity of the Notes, you will receive the Cash Settlement Value, a cash amount that depends upon the relation of the Final Index Level to the Initial Index Level. In no event will the Cash Settlement Value be less than $950 nor exceed $1,371.00.

If, at maturity, the Final Index Level is less than or equal to the Initial Index Level, the Cash Settlement Value will range between $1,000 and $1,371.00, and will equal the lesser of:

- $1,371.00, representing a 37.10% return; or
- $1,000 plus the product of $1,000 and 106.00% of the amount (calculated as a percentage) by which the Initial Index Level exceeds the Final Index Level.

If, at maturity, the Final Index Level is greater than the Initial Index Level, the Cash Settlement Value will be proportionally less than the initial offering price based upon the percentage increase in the Index. Since the Notes are 95% principal protected, in no event will the Cash Settlement Value be less than $950 per Note.

The CUSIP number for the Notes is 073928L76.

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

"PHLX Housing Sector℠" and "HGX℠" are service marks of the Philadelphia Stock Exchange, Inc. ("PHLXI") and have been licensed for use for certain purposes by The Bear Stearns Companies Inc. The Notes are not sponsored, endorsed, sold or promoted by PHLXI, and PHLXI makes no representation regarding the advisability of investing in the Notes.

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

	Per Note	Total
Initial public offering price	100.00%	$11,038,000
Agent's discount	3.00%	$331,140
Proceeds, before expenses, to us	97.00%	$10,706,860

We have granted Wells Fargo Investments, LLC, a 30-day option from the date of this pricing supplement to purchase from us up to an additional $1,655,000 of Notes at the public offering price, less the agent's discount, to cover any over-allotments.

We expect that the Notes will be ready for delivery in book-entry form only through the book-entry facilities of The Depository Trust Company in New York, New York, on or about October 7, 2005, against payment in immediately available funds.

Wells Fargo Investments, LLC

September 30, 2005

SUMMARY

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

The Bear Stearns Companies Inc. Medium-Term Notes, Series B, Linked to the PHLX Housing Sector Index^{SM} (the "Index"), 95% Principal Protected Notes, Due October 7, 2008 (the "Notes") are Notes the return of which is tied or "linked" to the performance of the Index. When we refer to Notes in this pricing supplement, we mean Notes with a principal amount of $1,000. Unlike typical bonds, no periodic interest payments will be made on these Notes prior to maturity. The Notes are 95% principal protected only if held to maturity and may offer 106.00% of the negative performance of the Index. The Notes will allow you to participate in 106.00% of the potential decline in the Index, not to exceed the maximum return of 37.10%, representing a 35.00% decline in the Final Index Level. In no event will the Cash Settlement Value be less than $950 nor exceed $1,371.00. At maturity, if the Final Index Level is less than or equal to the Initial Index Level, the Cash Settlement Value will range between $1,000 and $1,371.00 and will equal the lesser of: (i) $1,371.00; or (ii) $1,000 plus the product of $1,000 and 106.00% of the amount (calculated as a percentage) by which the Initial Index Level exceeds the Final Index Level. At maturity, if the Final Index Level is greater than the Initial Index Level, the Cash Settlement Value will be proportionally less than the initial offering price based upon the percentage increase in the Index. Since the Notes are 95% principal protected, in no event will the Cash Settlement Value be less than $950.

Selected Investment Considerations

Your return on the Notes will be linked to a decline in the Index The return on the Notes is based on the decline in the Final Index Level as compared to the Initial Index Level. Consequently, you will participate in the potential decline in the Index.

Potential leverage in the decline in the Index The Notes may be an attractive investment for investors who have a bearish view of the Index. If held to maturity, the Notes allow you to participate in 106.00% of the potential decline in the Index, not to exceed the maximum return of 37.10%, representing a 35.00% decline in the Final Index Level.

Partial principal protection If the Final Index Level is greater than the Initial Index Level, the Cash Settlement Value will be proportionally less than the initial offering price based upon the percentage increase in the Index. Since the Notes are 95% principal protected, if the Index increases by more than 5%, in no event will you receive a Cash Settlement Value less than $950.

No current income We will not pay any interest on the Notes. The yield on the Notes 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.

Hedge existing investment The Notes are based on the negative price performance of the 21 stocks underlying the Index. These stocks have been correlated to housing prices in the U.S. and the Notes may appreciate if such housing prices decline. Therefore, the Notes may allow you to hedge an existing portfolio or investment.

Low minimum investment The minimum purchase is $5,000 with increments of $1,000 thereafter.

Selected Risk Considerations

At maturity you may lose up to 5% of your principal The full principal amount of your Notes is not protected. If the Final Index Level is greater than the Initial Index Level, the Cash Settlement Value will be proportionally less than the initial offering price based upon the percentage increase in the Index. Since the Notes are 95% principal protected, in no event will the Cash Settlement Value be less than $950. Note that, if you sell your Notes prior to maturity, you may lose more than 5% of your principal.

You will not receive more than the maximum return at maturity Because the maximum return on the Notes is 37.10%, the maximum Cash Settlement Value is $1,371.00. Therefore, the Cash Settlement Value will not reflect the increase in the value of the Notes if the Initial Index Level falls by more than 35.00%.

No interest payments During the term of the Notes, you will not receive any periodic interest payments or other distributions; nor will such payments be included in the calculation of the Cash Settlement Value you will receive at maturity.

Liquidity 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. You should be aware that we cannot ensure that a secondary market in the Notes will develop; and, if such market were to develop, it may not be liquid. If you sell your Notes prior to maturity, you may receive less than the amount you originally invested. Although it is under no obligation to do so, Wells Fargo Investment, LLC ("Wells Fargo") 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. In any event, Notes will cease trading as of the close of business on the Maturity Date.

Possible loss of value in the secondary market Your principal investment in the Notes is protected only if you hold your Notes to maturity. If you sell your Notes prior to the Maturity Date, you may receive less, and possibly significantly less, than the amount you originally invested.

Taxes For U.S. federal income tax purposes, the Notes will be classified as contingent payment debt instruments. As a result, you will be required to include original issue discount ("OID") in income during your ownership of the Notes even though you will receive no cash payments with respect to the Notes until maturity. Additionally, you will generally be required to recognize ordinary income on the gain, if any, realized on a sale, upon maturity, or other disposition of the Notes. You should review the discussion under the section entitled "Certain U.S. Federal Income Tax Considerations" in this pricing supplement.

KEY TERMS

Issuer: The Bear Stearns Companies Inc.

Index: PHLX Housing Sector Index^{SM} (index symbol "HGX") (the "Index"), as published by the Philadelphia Stock Exchange (the "PHLX").

Face Amount: Each Note will be issued in minimum denomination of $5,000 and in $1,000 increments in excess thereafter. The aggregate principal amount of the Notes being offered is $11,038,000. When we refer to Notes in this pricing supplement, we mean Notes with a principal amount of $1,000.

Cash Settlement Value: At maturity, we will pay you the Cash Settlement Value, an amount in cash per Note that is based upon the Final Index Level in relation to the Initial Index Level. The Notes will allow you to participate in 106.00% of the potential decline in the Index, not to exceed the maximum return of 37.10%, representing a 35.00% decline in the Final Index Level. In no event will the Cash Settlement Value be less than $950 nor exceed $1,371.00.

If, at maturity, the Final Index Level is less than or equal to the Initial Index Level, the Cash Settlement Value will range between $1,000 and $1,371.00 and will equal the principal amount of the Notes plus the lesser of:

$371.00, and

At maturity, if the Final Index Level is greater than the Initial Index Level, the Cash Settlement Value will be proportionally less than the initial offering price based upon the percentage increase in the Index. Since the Notes are 95% principal protected, in no event will the Cash Settlement Value be less than $950.

Initial Index Level: Equals 538.41, the closing value of the Index on September 30, 2005, the date the Notes were priced for initial sale to the public.

Final Index Level: Will be determined by the Calculation Agent and will equal the closing value of the Index on September 30, 2008, the "Calculation Date," or, if that day is not an Index Business Day, on the next Index Business Day.

Maturity Date: The Notes will mature on October 7, 2008.

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

Interest: The Notes will not bear interest.

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

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

QUESTIONS AND ANSWERS

What are the Notes?

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

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

- we had outstanding (on an unconsolidated basis) approximately $49.9 billion of debt and other obligations, including approximately $44.4 billion of unsecured senior debt and senior obligations and $5.0 billion of unsecured inter-company debt; and

- our subsidiaries had outstanding (after elimination of inter-company items) approximately $222.2 billion of senior debt and other senior obligations (including $54.6 billion related to securities sold under repurchase agreements, $85.5 billion related to payables to customers, $31.8 billion related to financial instruments sold, but not yet purchased, and $50.3 billion of other liabilities, including $26.9 billion of debt).

The Notes will mature on October 7, 2008. The Notes do not provide for earlier redemption. When we refer to Notes in this pricing supplement, we mean Notes with a principal amount of $1,000. You should refer to the section "Description of Notes."

Are the Notes equity or debt securities?

The Notes are our unsecured debt securities. The Notes are 95% principal protected only if held to maturity. However, the Notes differ from traditional debt securities in that the Notes may offer 106.00% of the negative performance of the Index. In no event will the Cash Settlement Value be less than $950 nor exceed $1,371.00.

What will I receive at Maturity of the Notes?

We have designed the Notes for investors who want to protect a substantial portion of their investment by receiving at least 95% of the principal amount of their Notes at maturity, while also having an opportunity to participate in the potential decline of the Index if the Final Index Level is less than or equal to the Initial Index Level. Upon maturity of the Notes, for each Note you own, you will receive a payment equal to the "Cash Settlement Value," an amount in cash per Note that is based upon the Final Index Level in relation to the Initial Index Level.

The Notes will allow you to participate in 106.00% of the potential decline in the Index, not to exceed the maximum return of 37.10%, representing a 35.00% decline in the Final Index Level. In no event will the Cash Settlement Value be less than $950 nor exceed $1,371.00.

At maturity, if the Final Index Level is less than or equal to the Initial Index Level, the Cash Settlement Value will range between $1,000 and $1,371.00 and will equal the principal amount of the Notes plus the lesser of:

At maturity, if the Final Index Level is greater than the Initial Index Level, the Cash Settlement Value will be proportionally less than the initial offering price based upon the percentage increase in the Index. Since the Notes are 95% principal protected, in no event will the Cash Settlement Value be less than $950.

The "Initial Index Level" equals 538.41, the closing value of the Index on September 30, 2005, the date the Notes were priced for initial sale to the public.

The "Final Index Level" will be determined by the Calculation Agent and will equal the closing value of the Index on September 30, 2008, the "Calculation Date," or, if that day is not an Index Business Day, on the next Index Business Day.

The "Maturity Date" of the Notes is October 7, 2008.

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

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

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

What does "95% principal protected" mean?

"95% principal protected" means that 95% of your principal investment in the Notes will not be at risk as a result of an increase in the Index, provided the Notes are held to maturity. At maturity, if the Final Index Level is greater than the Initial Index Level, the Cash Settlement Value will be proportionally less than the initial offering price based upon the percentage increase in the Index. Since the Notes are 95% principal protected, in no event will the Cash Settlement Value be less than $950. Therefore, at maturity, if the Final Index Level exceeds the Initial Index Level by more than 5%, the Cash Settlement Value per Note will equal $950.

Will I receive interest on the Notes?

You will not receive any interest payments on the Notes, but will instead receive the Cash Settlement Value upon maturity of the Notes. We have designed the Notes for investors who are willing to forgo periodic interest payments on the Notes in exchange for 95% principal protection and the ability to participate in changes in the value of the Index over the term of the Notes.

What is the Index?

The Index is published by the PHLX and was set to 250 on January 2, 2002. The Index is a modified capitalization-weighted index designed to measure the performance of 21 companies whose primary lines of business are directly associated with the U.S. housing construction market. The stocks underlying the Index include residential builders, suppliers of aggregate, lumber and other construction materials, manufactured housing and mortgage insurers. For a list of the stocks underlying the Index and more specific information about the Index, please see the section "Description of the Index."

Please note that an investment in the Notes does not entitle you to any ownership interest in the stocks of the companies included in the Index.

How has the Index performed historically?

We have provided a table and graph showing the monthly performance of the Index from July 2002 through September 2005. You can find these tables in the section "Description of the Index Historical Data on the Index" in this pricing supplement. We have provided this historical information to help you evaluate the behavior of the Index in various economic environments; however, past performance is not necessarily indicative of how the Index will perform in the future. You should refer to the section "Risk Factors The historical performance of the Index is not an indication of the future performance of the index."

Will the Notes be listed on a securities exchange?

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

What is Wells Fargo's role?

We have entered into a Distribution Agreement and Terms Agreement with Wells Fargo. These agreements will provide for the offer and sale of Notes by Wells Fargo on a best efforts basis. Wells Fargo has agreed to use its best efforts to identify potential purchasers of the Notes and will purchase such Notes from us for resale to such purchasers.

Although it is under no obligation to do so Wells Fargo 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. In any event, Notes will cease trading as of the close of business on the Maturity Date.

Who will act as Calculation Agent?

We will be the Calculation Agent. Under certain circumstances, these duties could result in a conflict of interest between us as the issuer of the Notes, and our responsibilities as Calculation Agent. You should refer to "Risk Factors We are the Calculation Agent 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 & Co., Inc. ("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 housing sector index, they may be appropriate for investors with specific investment horizons who seek to participate in the potential price decline of the underlying stocks comprising the Index. In particular, the Notes may be an attractive investment for investors who:

- are seeking an investment that offers at least 95% principal protection if held to maturity;
- believe that the Index will decrease over the term of the Notes and that such decrease will not significantly exceed 35.00%;
- are willing to hold the Notes until maturity;
- want exposure to stocks whose earnings are correlated with the U.S. housing sector; and
- are willing to forgo interest payments in return for partial principal protection and potential downside leverage.

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

- you seek current income from your investment;
- you want 100% or full principal protection;
- you seek an investment that offers the possibility to fully participate in the decline of the Index;
- you seek an investment with an active secondary market; or
- you are unable or unwilling to hold the Notes until maturity.

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

Because the Notes are contingent payment debt instruments for federal income tax purposes, a U.S. Holder of a Note will be required to include OID in gross income over the term of the Note even though no cash payments will be made with respect to the Notes until maturity. The amount of OID includible in each year is based on the "comparable yield." In addition, we have computed a "projected payment amount" that produces the comparable yield. The comparable yield and the projected payment amount are neither predictions nor guarantees of the actual yield on the Notes or the actual payment at maturity. If the amount we actually pay at maturity is, in fact, less than the projected payment amount, then a U.S. Holder would have recognized taxable income in periods prior to maturity that exceeds the U.S. Holder's economic income from holding the Note during such periods (with an offsetting ordinary loss). If a U.S. Holder disposes of the Note prior to maturity, the U.S. Holder will be required to treat any gain recognized upon the disposition of the Note as ordinary income (rather than capital gain). You should review the discussion under the section entitled "Certain U.S. Federal Income Tax Considerations" in this pricing supplement.

Does ERISA impose any limitations on purchases of the Notes?

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

Are there any risks associated with my investment?

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

RISK FACTORS

Your investment in the Notes involves a degree of risk similar to investing in the Index. You will be subject to significant risks not associated with conventional fixed-rate or floating-rate debt securities. Prospective purchasers of the Notes should understand the risks of investing in the Notes and should reach an investment decision only after careful consideration, with their advisers, of the suitability of the Notes in light of their particular financial circumstances, the following risk factors and the other information set forth in this pricing supplement and the accompanying prospectus supplement and prospectus. These risks include the possibility that the Index will fluctuate, and the possibility that you will receive a lower amount of principal. We have no control over a number of matters, including economic, financial, regulatory, geographical, judicial and political events, that are important in determining the existence, magnitude, and longevity of these risks and their impact on the value of, or the payment made on, the Notes.

You may lose up to 5% of your principal, but may lose more if you sell your Notes prior to maturity.

The full principal amount of your Notes is not protected against a decline in the value of the Index. You will lose up to 5% of the principal amount of your Notes if the Final Index Level exceeds the Initial Index Level. The Cash Settlement Value will equal at least the minimum payment of 95% of the principal amount of your Notes only if you hold your Notes to maturity. If you sell your Notes in the secondary market prior to maturity, you will not be entitled to 95% principal protection and you may receive less and possibly significantly less, than the initial public offering price of $1,000 per Note. You therefore should be able and willing to hold your Notes until maturity.

Your maximum gain on the Notes at maturity is 37.10%.

The Cash Settlement Value is based on the change in the Index. If the Final Index Level declines by more than 35.00%, the Cash Settlement Value at maturity will be limited to the maximum total return on the Notes of 37.10%. Therefore, your ability to participate in any decrease in the Index through an investment in the Notes is limited because the Cash Settlement Value will never exceed $1,371.00.

You will not receive any interest payments on the Notes.

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

Your yield may be below market interest rates on the Calculation Date.

You may receive a Cash Settlement Value that is below what we would pay as of the issuance date if we had issued non-callable senior debt securities with a maturity similar to that 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 U.S. housing industry, U.S. housing construction industry 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 from ours. In connection with your purchase of the Notes, you should investigate the housing industry, housing construction industry and the stocks that underlie the Index and should not rely on our views with respect to future movements in these industries and stocks. You should make such investigation as you deem appropriate as to the merits of an investment linked to the Index.

The stocks underlying the Index are concentrated in only one industry.

All of the stocks underlying the Index are issued by companies whose primary lines of business are directly associated with the U.S. housing construction market. As a result, an investment in the Notes will be concentrated in just this one industry. Currently, the stocks underlying the Index encompass residential builders, suppliers of aggregate, lumber and other construction materials, manufactured housing and mortgage insurers.

Tax consequences.

For U.S. federal income tax purposes, the Notes will be classified as contingent payment debt instruments. As a result, U.S. Holders will be required to include OID in income during their ownership of the Notes even though no cash payments will be made with respect to the Notes until maturity. The amount of OID includible in each year is based on the "comparable yield." In addition, we have computed a "projected payment amount" that produces the comparable yield. The comparable yield and the projected payment amount are neither predictions nor guarantees of the actual yield on the Notes or the actual payment at maturity. If the amount we actually pay at maturity is, in fact, less than the projected payment amount, then a U.S. Holder would have recognized taxable income in periods prior to maturity that exceeds the U.S. Holder's economic income from holding the Note during such periods (with an offsetting ordinary loss). Additionally, U.S. Holders will generally be required to recognize ordinary income on the gain, if any, realized on a sale, upon maturity, or other disposition of the Notes. You should review the discussion under the section entitled "Certain U.S. Federal Income Tax Considerations" in this pricing supplement.

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

If you wish to liquidate your investment in the Notes prior to maturity, your only alternative would be to sell them. At that time, there may be an illiquid market for Notes or no market at all. Even if you were able to sell your Notes, there are many factors outside of our control that may affect their trading value. We believe that the value of your Notes will be affected by the value and volatility of the Index, whether or not the Index Closing Level is equal to or less than 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 value of the Index is less than, equal to or not sufficiently above the value of the Index on the date you purchased 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 Index. We expect that the trading value of the Notes will depend substantially on the amount, if any, by which the Initial Index Level at any given time is greater than the Index Closing Level. If you decide to sell your Notes when the Index Closing Level is less than the Initial Index Level, you may nonetheless receive substantially less than the amount that would be payable at maturity based on that Index Closing Level because of expectations that the Index Closing Level will continue to fluctuate until the Final Index Level is determined. Economic, financial and other developments that affect the common stocks in the Index may also affect the Index Closing Level and, thus, the value of the Notes.

Volatility of the Index. Volatility is the term used to describe the size and frequency of market fluctuations. Generally, if the volatility of the Index increases, the trading value of the Notes will increase; and, if the volatility of the Index decreases, the trading value of the Notes will decrease. 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, interest rate changes may have adverse effects on the trading value of the Notes. Interest rate increases may lead to a decline in the housing market which may be correlated to the Index.

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

Time remaining to maturity. A "time premium" results from expectations concerning the value of the 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.

Dividend yield. The value of the Notes may also be affected by the dividend yields on the stocks in the Index. In general, higher dividend yields will likely decrease the value of the Index and thus increase the value of the Notes. Conversely, lower dividend yields will likely increase the value of the Index and thus reduce the value of the Notes.

Events involving the companies comprising the Index. General economic conditions and earnings results of the companies whose stocks comprise the Index, and real or anticipated changes in those conditions or results, may affect the trading value of the Notes. 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.

Wells Fargo 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 value of the Index.

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

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

State law may limit interest paid.

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

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

We are the Calculation Agent which could result in a conflict of interest.

We will act as the Calculation Agent and will make certain determinations and judgments in connection with calculating the Index Closing Levels, or deciding whether a Market Disruption Event has occurred. You should refer to the sections "Description of the Notes Discontinuance of the Index," " Adjustments to the Index" and " Market Disruption Events." Conflicts of interest may arise in connection with us performing our role as issuer of the Notes and as 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 value of the Index. BSIL, an affiliate of Bear Stearns, will also be the counterparty to the hedge of our obligations under the Notes. You should refer to the section "Use of Proceeds and Hedging." Accordingly, under certain circumstances, conflicts of interest may arise between our responsibilities as Calculation Agent with respect to the Notes and BSIL's obligations under our hedge.

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

Actions by any company whose stock is part of the Index may affect the price of its stock, the Index Closing 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 on the Maturity Date.

We are not affiliated with any Index company 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 Index company. You should make your own investigation into the Index and the Index companies.

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

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

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. 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."

Hedging activities we or our affiliates may engage in may affect the level of the Index and, accordingly, increase or decrease the trading value of the Notes prior to maturity and the Cash Settlement Value you would receive at maturity. To the extent that we or any of our affiliates has a hedge position in any of the stocks that comprise the Index, or derivative or synthetic instruments related to those stocks or the Index, we or any of our affiliates may liquidate a portion of such holdings at or about the time of the maturity of the Notes or at or about the time of a change in the stocks that underlie the Index. Depending on, among other things, future market conditions, the aggregate amount and the composition of 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.

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 included in the Index, including making loans to, equity investments in, or providing investment banking, asset management or other advisory services to those companies and their competitors. In connection with these activities, we may receive information about those companies that we will not divulge to you or other third parties. One or more of our affiliates have published, and may in the future publish, research reports regarding one or more of the Index companies. This research may be modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing, holding or selling the Notes. Any of these activities may affect the trading value of the Notes.

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

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

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

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

DESCRIPTION OF THE NOTES

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

General

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

- we had outstanding (on an unconsolidated basis) approximately $49.9 billion of debt and other obligations, including approximately $44.4 billion of unsecured senior debt and senior obligations and $5.0 billion of unsecured inter-company debt; and

- our subsidiaries had outstanding (after elimination of inter-company items) approximately $222.2 billion of senior debt and other senior obligations (including $54.6 billion related to securities sold under repurchase agreements, $85.5 billion related to payables to customers, $31.8 billion related to financial instruments sold, but not yet purchased, and $50.3 billion of other liabilities, including $26.9 billion of debt).

The aggregate principal amount of the Notes will be $11,038,000. The Notes will mature on October 7, 2008. The Notes will be issued only in fully registered form, and in minimum denominations of $1,000. Initially, the Notes will be issued in the form of one or more global securities registered in the name of DTC or its nominee, as described in the accompanying prospectus supplement and prospectus. When we refer to Notes in this pricing supplement, we mean Notes with a principal amount of $1,000. 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 or any other payments on the Notes, until maturity.

Payment at Maturity

We have designed the Notes for investors who want to protect a substantial portion of their investment by receiving at least 95% of the principal amount of their Notes at maturity, while also having an opportunity to participate in the potential decline of the Index if the Final Index Level is less than or equal to the Initial Index Level. Upon maturity of the Notes, for each Note you own, you will receive a payment equal to the "Cash Settlement Value," an amount in cash per Note that is based upon the Final Index Level in relation to the Initial Index Level. The Notes will allow you to participate in 106.00% of the potential decline in the Index, not to exceed the maximum return of 37.10%, representing a 35.00% decline in the Final Index Level. In no event will the Cash Settlement Value be less than $950 nor exceed $1,371.00.

At maturity, if the Final Index Level is less than or equal to the Initial Index Level, the Cash Settlement Value will range between $1,000 and $1,371.00 and will equal the principal amount of the Notes plus the lesser of:

At maturity, if the Final Index Level is greater than the Initial Index Level, the Cash Settlement Value will be proportionally less than the initial offering price based upon the percentage increase in the Index. Since the Notes are 95% principal protected, in no event will the Cash Settlement Value be less than $950.

The "Initial Index Level" equals 538.41, the closing value of the Index on September 30, 2005, the date the Notes were priced for initial sale to the public.

The "Final Index Level" will be determined by the Calculation Agent and will equal the closing value of the Index on September 30, 2008, the "Calculation Date," or, if that day is not an Index Business Day, on the next Index Business Day.

The "Maturity Date" of the Notes is October 7, 2008.

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

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

Illustrative Examples:

The following are illustrative examples demonstrating the hypothetical Cash Settlement Value of a Note based on the assumptions outlined below.

Assumptions:

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

Investor does not sell the Notes and holds the Notes to maturity.

The Initial Index Level is 538.41.

The Notes allow you to participate in 106.00% of the amount (calculated as a percentage) by which the Initial Index Level exceeds the Final Index Level.

The maximum return is 37.10%, representing the participation of 106% of a maximum decline in the Final Index Level of 35% (i.e., the product of 106% and 35%).

All returns are based on a 36-month term; pre-tax basis.

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

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

In this example, the Index decreases over the term of the Notes. The Final Index Level of 323.05 is 40% lower than the Initial Index Level of 538.41. The Cash Settlement Value will equal:

In this case, the Cash Settlement Value will equal $1,371.00.

Example 2: The Initial Index Level is higher than the Final Index Level.

In this example, the Index initially decreases, then recovers and continues to increase over the remaining term of the Notes. The Final Index Level of 484.57 is 10.00% lower than the Initial Index Level of 538.41. The Cash Settlement Value will equal:

In this case, the Cash Settlement Value will equal $1,106.00.

Example 3: The Initial Index Level is less than the Final Index Level.

In this example, the Index increases over the term of the Note. The Final Index Level of 699.93 is 30% higher than the Initial Index Level of 538.41. Since the Final Index Level is greater than the Initial Index Level, the Cash Settlement Value will be proportionally less than $1,000 based upon the percentage increase in the Index. Since the Notes are 95% principal protected, you are fully protected from any losses in excess of a 5% increase in the Final Index Level. The Cash Settlement Value will equal:

In this case, the Cash Settlement Value will equal $950.

Summary of Examples 1 Through 3

	Example 1	Example 2	Example 3
Initial Index Level	538.41	538.41	538.41
Final Index Level	323.05	484.57	699.93
Percentage Change in Final Index Level	-40.00%	-10.00%	+30.00%
Cash Settlement Value	$ 1,371.00	$ 1,106.00	$ 950.00

Table of Hypothetical Cash Settlement Values

The following table and graph reflects hypothetical Cash Settlement Values at maturity, assuming an Initial Index Level of 538.41 and various hypothetical Final Index Levels.

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
538.41	0.00	-100.00%	$1,371.00	37.100%	538.41	460.00	-14.56%	$1,154.37	15.437%
538.41	323.05	-40.00%	$1,371.00	37.100%	538.41	465.00	-13.63%	$1,144.53	14.453%
538.41	335.00	-37.78%	$1,371.00	37.100%	538.41	470.00	-12.71%	$1,134.68	13.468%
538.41	340.00	-36.85%	$1,371.00	37.100%	538.41	475.00	-11.78%	$1,124.84	12.484%
538.41	345.00	-35.92%	$1,371.00	37.100%	538.41	480.00	-10.85%	$1,115.00	11.500%
538.41	350.00	-34.99%	$1,370.93	37.093%	538.41	484.57	-10.00%	$1,106.00	10.600%
538.41	355.00	-34.07%	$1,361.09	36.109%	538.41	485.00	-9.92%	$1,105.15	10.515%
538.41	360.00	-33.14%	$1,351.25	35.125%	538.41	490.00	-8.99%	$1,095.31	9.531%
538.41	365.00	-32.21%	$1,341.40	34.140%	538.41	495.00	-8.06%	$1,085.46	8.546%
538.41	370.00	-31.28%	$1,331.56	33.156%	538.41	500.00	-7.13%	$1,075.62	7.562%
538.41	375.00	-30.35%	$1,321.72	32.172%	538.41	505.00	-6.21%	$1,065.78	6.578%
538.41	380.00	-29.42%	$1,311.87	31.187%	538.41	510.00	-5.28%	$1,055.93	5.593%
538.41	385.00	-28.49%	$1,302.03	30.203%	538.41	515.00	-4.35%	$1,046.09	4.609%
538.41	390.00	-27.56%	$1,292.18	29.218%	538.41	520.00	-3.42%	$1,036.24	3.624%
538.41	395.00	-26.64%	$1,282.34	28.234%	538.41	525.00	-2.49%	$1,026.40	2.640%
538.41	400.00	-25.71%	$1,272.50	27.250%	538.41	530.00	-1.56%	$1,016.56	1.66%
538.41	405.00	-24.78%	$1,262.65	26.265%	538.41	538.41	0.00%	$1,000.00	0.00%
538.41	410.00	-23.85%	$1,252.81	25.281%	538.41	540.00	0.30%	$996.87	-0.31%
538.41	415.00	-22.92%	$1,242.96	24.296%	538.41	545.00	1.22%	$987.03	-1.30%
538.41	420.00	-21.99%	$1,233.12	23.312%	538.41	550.00	2.15%	$977.18	-2.28%
538.41	425.00	-21.06%	$1,223.28	22.328%	538.41	555.00	3.08%	$967.34	-3.27%
538.41	430.00	-20.14%	$1,213.43	21.343%	538.41	560.00	4.01%	$957.49	-4.25%
538.41	435.00	-19.21%	$1,203.59	20.359%	538.41	565.00	4.94%	$952.94	-4.71%
538.41	440.00	-18.28%	$1,193.75	19.375%	538.41	570.00	5.87%	$950.00	-5.00%
538.41	445.00	-17.35%	$1,183.90	18.390%	538.41	575.00	6.80%	$950.00	-5.00%
538.41	450.00	-16.42%	$1,174.06	17.406%	538.41	699.93	30.00%	$950.00	-5.00%
538.41	455.00	-15.49%	$1,164.21	16.421%	538.41	999.00	85.55%	$950.00	-5.00%

Discontinuance of the Index

If PHLX discontinues publication of the Index and PHLX or another entity publishes a successor or substitute index that the Calculation Agent determines, in its sole discretion, to be comparable to the discontinued Index (the new index being referred to as a "Successor Index"), then the Index Closing Levels will be determined by reference to the Successor Index at the close of trading on the relevant exchange or market for the Successor Index on the date that the Index Closing Level is to be determined.

Upon any selection by the Calculation Agent of a Successor Index, the Calculation Agent will notify us and the Trustee, who will provide notice of the selection of the Successor Index to the registered holders of the Notes.

If PHLX discontinues publication of the Index prior to, and such discontinuance is continuing on, the date that the Index Closing Level is to be determined and the Calculation Agent determines that no Successor Index is available at such time, then, on such date, the Calculation Agent will notify us and the Trustee and will calculate the appropriate closing levels. The Index Closing Level will be computed by the Calculation Agent in accordance with the formula for and method of calculating the Index last in effect prior to such discontinuance, using the closing level (or, if trading in the relevant securities has been materially suspended or materially limited, its good faith estimate of the closing level that would have prevailed but for such suspension or limitation) at the close of the principal trading session on such date of each security most recently comprising the Index on the primary organized U.S. exchange or trading system on which such securities trade. "Closing level" means, with respect to any security on any date, the last reported sales price regular way on such date or, if no such reported sale takes place on such date, the average of the reported closing bid and asked price regular way on such date, in either case on the primary organized U.S. exchange or trading system on which such security is then listed or admitted to trading.

If a Successor Index is selected, or the Calculation Agent calculates a value as a substitute for the Index as described above, that Successor Index or its closing level will be used as a substitute for the Index for all purposes, including for purposes of determining whether an Index Business Day or Market Disruption Event has occurred or exists. Notwithstanding these alternative arrangements, discontinuance of the publication of the Index may adversely affect the value of the Notes.

All determinations made by the Calculation Agent will be at the sole discretion of the Calculation Agent, and will be conclusive for all purposes and binding on us and the beneficial owners of the Notes, absent manifest error.

Adjustments to the Index

If at any time the method of calculating the Index or a Successor Index, or the Index Closing Level thereof, is changed in a material respect, or if the Index or a Successor Index is in any other way modified so that such index does not, in the opinion of the Calculation Agent, fairly represent the level of the Index or such Successor Index had such changes or modifications not been made, then, from and after such time, the Calculation Agent will, at the close of business in New York City on the date that the Index Closing Level is to be determined, make such calculations and adjustments as, in its good faith judgment, may be necessary in order to arrive at a level of a stock index comparable to the Index or such Successor Index, as the case may be, as if such changes or modifications had not been made. The Calculation Agent will calculate the Index Closing Level with reference to the Index or such Successor Index, as adjusted. If the method of calculating the Index or a Successor Index is modified so that the level of such index is a fraction of what it would have been if it had not been modified (for example, due to a split in the index), then the Calculation Agent will adjust such index in order to arrive at a level of the Index or such Successor Index as if it had not been modified (for example, as if such split had not occurred).

Market Disruption Events

If there is a Market Disruption Event on the date with respect to which the Final Index Level is to be determined, the Final Index Level will be determined on the basis of the first succeeding Index Business Day on which there is no Market Disruption Event. In no event, however, will the date with respect to which the Final Index Level is determined be a date that is more than [two] Index Business Days following the original date that, but for the Market Disruption Event, would have been utilized to determine the Final Index Level. In that case, the second Index Business Day will be deemed to be the Calculation Date, notwithstanding the Market Disruption Event, and the Calculation Agent will determine the level of the Index on that [second] Index Business Day in accordance with the formula for and method of calculating the Index in effect prior to the Market Disruption Event using the exchange traded price of each security in the Index (or, if trading in any such security has been materially suspended or materially limited, the Calculation Agent's good faith estimate of the exchange traded price that would have prevailed but for such suspension or limitation) as of that [second] Index Business Day.

A "Market Disruption Event" means any of the following events, as determined by the Calculation Agent, in its sole discretion:

the occurrence or existence of a suspension, absence or material limitation of trading for more than two hours of trading, or during the one-half hour period preceding the close of trading on the relevant exchange in 20% or more of the stocks which then comprise the Index, or any Successor Index (without taking into account any extended or after-hours trading session);

&