

BEAR STEARNS COMPANIES INC
Form 424B5
March 30, 2005

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Registration No. 333-121744

PRICING SUPPLEMENT

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

The Bear Stearns Companies Inc.

\$2,711,000 Principal Protected 2.00% Coupon Notes Linked to the S&P 500® Index, Due September 30, 2010

The Notes pay a fixed annual rate of interest of 2.00%, paid semi-annually on the 31st day of March and the 30th day of September of each year until maturity.

On the maturity date you will receive the cash settlement value, an amount in cash equal to the sum of

the principal amount of Notes,

a final interest payment, and

the supplemental return.

The supplemental return will equal the greater of

zero, and

the product of the principal amount of Notes and the index percentage change minus the interest received percentage of 11.00%.

The CUSIP number for the Notes is 073928K77.

INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. YOU SHOULD REFER TO "RISK FACTORS" BEGINNING ON PAGE PS-9.

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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.

	<u>Per Note</u>	<u>Total</u>
Initial public offering price	100.00%	\$2,711,000
Agent's discount	3.50%	\$94,885
Proceeds, before expenses, to us	96.50%	\$2,616,115

We have granted Bear, Stearns & Co. Inc. a 30-day option from the date of this pricing supplement to purchase from us up to an additional \$400,000 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 March 31, 2005, against payment in immediately available funds. The distribution of the Notes will conform to the requirements set forth in Rule 2720 of the National Association of Securities Dealers, Inc. Conduct Rules.

Bear, Stearns & Co. Inc.

March 28, 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 S&P 500® Index (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, in particular, carefully review the section entitled "Risk Factors," which highlights a number of 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, Principal Protected 2.00% Coupon Notes, Linked to the S&P 500® Index Due September 30, 2010 (the "Notes") are Notes whose return is tied or "linked" to the performance of the Index. When we refer to Notes in this pricing supplement, we mean \$1,000 principal amount of Notes. The Notes have a fixed annual rate of interest of 2.00%, paid semi-annually on the 31st day of March and the 30th day of September of each year. Investors that purchase the Notes in the initial public offering and hold the Notes until maturity will earn cumulative interest payments totaling 11.00% of the principal amount of the Notes. The Notes are principal protected only if held to maturity. On the maturity date you will receive the principal amount of Notes and a final interest payment. In addition, you will receive the supplemental return. The supplemental return will equal the greater of (i) zero and (ii) the product of the principal amount of Notes and the index percentage change minus the interest received percentage of 11.00%. The index average is based upon the arithmetic average of the index closing level on the 28th day of each March, June, September and December commencing on June 28, 2005 and ending on September 28, 2010, for a total of 22 observation dates.

Selected Investment Considerations

Principal protection The Notes are principal protected if held to maturity.

Current income The Notes have a fixed rate of interest of 2.00%, paid semi-annually. 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.

Growth potential The supplemental return of the Notes is based on the average of the closing level of the Index on each observation date, enabling you to participate in a potential increase in the average value of the Index to the extent it is greater than the cumulative interest payments totaling at least 11.00% of the principal amount of the notes without having to acquire each of the underlying stocks.

Medium-term investment The Notes may be an attractive investment for investors who have a medium term and bullish view of the Index.

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

Low minimum investment Notes can be purchased in increments of \$1,000.

Selected Risk Considerations

An investment in the Notes involves significant risks. These risks are summarized here and detailed in the sections "Risk Factors" in this pricing supplement and "Risk Factors" in the accompanying prospectus supplement.

The return on the Notes is based on an average Since the supplemental return is based on the closing levels of the Index on each observation date, the potential for appreciation in the Notes may be significantly less than the opportunity for appreciation by a direct investment in the Index.

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

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

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

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 maturity, you may receive less than the amount you originally invested.

Taxes For US 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 without regard to the actual interest payments received. 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 US Federal Income Tax Considerations" in this pricing supplement.

KEY TERMS

Issuer:	The Bear Stearns Companies Inc.
Index:	Standard & Poor's 500 Index® (ticker "SPX"), as published by S&P.
Face amount:	Each Note will be issued in minimum denomination of \$1,000. The aggregate principal amount of the Notes being offered is \$2,711,000. When we refer to Notes in this pricing supplement, we mean \$1,000 principal amount of Notes.
Interest:	The Notes will bear interest at a fixed annual rate of interest of 2.00%, paid semi-annually on the 31st day of March and the 30th day of September until maturity, each of which we will refer to as an "interest payment date."
Cash settlement value:	At maturity, we will pay you the cash settlement value, an amount in cash equal to the sum of (i) the principal amount of Notes, (ii) a final interest payment, and (iii) the supplemental return.
Supplemental return:	The supplemental return will equal the greater of (i) zero, and (ii) the product of the principal amount of Notes and the index percentage change minus the interest received percentage of 11.00%.
Index average:	Will be determined by the calculation agent and will equal the arithmetic average of the index closing level on each observation date.
Index percentage change:	Equals the percentage change between 1,174.28, the initial index level and the index average.
Observation dates:	The 28th day of each March, June, September and December during the term of the Notes, unless such a day is not an index business day, in which case the closing level of the Index will be taken on the next index business day, subject to postponement because of a market disruption event. The initial and final observation dates are June 28, 2005 and September 28, 2010, respectively. There will be a total of 22 observation dates.
Index closing level:	The closing value of the Index on each index business day.
Initial index level:	Equals 1,174.28, the closing value of the Index on March 28, 2005, the date the Notes were priced for initial sale to the public.
Interest received percentage:	Equals 11.00%, representing the sum of all the interest payments over the term of the Notes expressed as a percentage of the principal amount of the Notes.
Final index level:	Will be determined by the calculation agent and will equal the closing value of the Index on September 28, 2010, 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 September 30, 2010.
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 whose value is linked to the performance of the Index. The Notes will bear interest at a fixed annual rate of 2.00%, paid semi-annually on the 31st day of March and the 30th day of September of each year until 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 with respect to their assets. At November 30, 2004:

we had outstanding (on an unconsolidated basis) approximately \$44.4 billion of debt and other obligations, including approximately \$39.2 billion of unsecured senior debt and \$4.6 billion of unsecured inter-company debt; and

our subsidiaries had outstanding (after elimination of inter-company items) approximately \$207.2 billion of debt and other obligations (including \$58.6 billion related to securities sold under repurchase agreements, \$79.3 billion related to payables to customers, \$29.4 billion related to financial instruments sold, but not yet purchased, and \$39.9 billion of other liabilities, including \$21.0 billion of debt).

The Notes will mature on September 30, 2010 and do not provide for earlier maturity. When we refer to Notes in this pricing supplement, we mean \$1,000 principal amount of Notes. You should refer to the section "Description of the Notes."

Are the Notes equity or debt securities?

The Notes are our unsecured debt securities. Although the Notes pay a fixed semi-annual coupon of 2.00%, the Notes differ from traditional debt securities in that the Notes offer potential to participate in the positive price performance of the Index only to the extent the index average exceeds 11.00% (representing the cumulative interest payments as a percentage of the principal amount of the Notes).

What will I receive at maturity of the Notes?

We have designed the Notes for investors who want to protect their entire investment by receiving at least 100% of the principal amount of their Notes at maturity plus a fixed annual rate of interest of 2.00%, paid semi-annually each year until maturity, while also having an opportunity to participate in the potential appreciation of the Index if the index average is greater than the cumulative interest payments of 11.00%, expressed as a percentage of the principal amount of the Notes.

Upon maturity of the Notes, you will receive a payment equal to the "cash settlement value." The cash settlement value to which you will be entitled equals the sum of (i) the principal amount of Notes, (ii) a final interest payment and (iii) the supplemental return.

For more specific information about the cash settlement value and for illustrative examples, you should refer to "Description of the Notes" in this pricing supplement.

What Does "principal protected" mean?

"Principal protected" means that your principal investment in the Notes will not be at risk due to a decline in the Index if the Notes are held to maturity. You may receive less than the principal amount of Notes if you sell the Notes prior to maturity.

Will I Receive Interest on the Notes?

You will receive a fixed annual rate of interest of 2.00% paid semi-annually on the 31st day of March and the 30th day of September of each year until maturity.

What is the Index?

Unless otherwise stated, all information on the Index that is provided in this pricing supplement is derived from S&P or other publicly available sources. The Index is published by S&P, and is intended to provide an indication of the pattern of common stock price movement of the stocks comprising the Index. Currently, the calculation of the value of the Index (discussed below in further detail) is based on the relative value of the aggregate market value of the common stocks of 500 companies as of a particular time, compared to the aggregate average market value of the common stocks of 500 similar companies during the base period of the years 1941 through 1943. S&P announced changes in the methodology which took effect on March 18, 2005 and certain additional changes will take effect on September 16, 2005. See the section "Description of the Index - Computation of the Index after March 17, 2005." As of February 28, 2005, 425 companies or 85.5% of the market capitalization of the Index traded on the NYSE, 74 companies or 14.4% of the market capitalization of the Index traded on the Nasdaq, and one company or 0.1% of the market capitalization of the Index traded on the AMEX.

S&P chooses companies for inclusion in the Index with the aim of achieving a distribution by broad industry groupings that approximates the distribution of these groupings in the common stock population of the NYSE, which S&P uses as an assumed model for the composition of the total market. Relevant criteria employed by S&P include: the viability of the particular company, the extent to which that company represents the industry group to which it is assigned, the extent to which the market price of that company's common stock is generally responsive to changes in the affairs of the respective industry, and the market value and trading activity of the common stock of that company. For more information, see the section "Description of the Index."

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

How has the Index performed historically?

We have provided a table showing the monthly performance of the Index from January 1998 through February 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" in this pricing supplement.

Will the Notes be listed on a securities exchange?

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

cease trading as of the close of business on the maturity date. You should refer to the section "Risk Factors" in this pricing supplement.

What is the role of Bear Stearns?

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

Bear Stearns also will be our calculation agent for purposes of calculating the cash settlement value. Under certain circumstances, these duties could result in a conflict of interest between Bear Stearns' status as our subsidiary, and its responsibilities as calculation agent. You should refer to "Risk Factors – The calculation agent is one of our affiliates, which could result in a conflict of interest" in this pricing supplement.

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 entitled "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 entitled "Where You Can Find More Information" in the accompanying prospectus.

Who should consider purchasing the Notes?

Since 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:

do not want to place their principal at risk and are willing to hold the Notes until maturity;

have a bullish view of the Index;

wish to earn the fixed annual coupon of 2.00%; and

wish to participate in the potential appreciation of the Index to the extent the index percentage change exceeds the interest received percentage of 11.00%.

What Are the US Federal Income Tax Consequences of Investing in the Notes?

Because the Notes are contingent payment debt instruments for federal income tax purposes, a US Holder of a Note will be required to include OID in gross income over the term of the Note without regard to the actual interest payments received. 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 US Holder would have recognized taxable income in periods prior to maturity that exceeds the US Holder's economic income from holding the Note during such periods (with an offsetting ordinary loss). If a US Holder disposes of the Note prior to maturity, the US Holder will be required to treat any gain recognized upon the disposition of the Note as ordinary income (rather than capital gain). Noteholders should

review the discussion under the section entitled "Certain US 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 "Risk Factors" in this pricing supplement and "Risk Factors" in the accompanying prospectus supplement.

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RISK FACTORS

Your investment in the Notes involves a degree of risk similar to investing in the Index. However, your ability to participate in the appreciation of the Index is limited to the extent the index percentage change exceeds the cumulative interest payments totaling 11.00% of the principal amount of the Notes. You will be subject to significant risks not associated with conventional fixed-rate or floating-rate debt securities. Prospective purchasers of the Notes should recognize the possibility of a substantial loss with respect to their investment in the Notes. Prospective purchasers of the Notes should understand the risks of investing in the Notes and should reach an investment decision only after careful consideration, with their advisers, of the suitability of the Notes in light of their particular financial circumstances, the following risk factors and the other information set forth in this pricing supplement and the accompanying prospectus supplement and prospectus. 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.

At maturity, the Notes may not pay more than the principal amount.

The supplemental return is greater than zero only if the index average exceeds the cumulative interest payments of 11.00%, expressed as a percentage of the principal amount of the Notes. At maturity, if the index average is less than or equal to the cumulative interest payments of 11.00%, the supplemental return will equal zero and you will receive only the principal amount of Notes you own plus the final interest payment.

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. As of February 28, 2005, the yield on the payment of dividends on the stocks underlying the Index was approximately 176 basis points. You should refer to "Description of the Notes" in this pricing supplement.

Your yield may be lower than the yield on a conventional debt security of comparable maturity.

The annual interest rate on the Notes will only be 2.00%. As a result, the fixed interest amount we will pay on the Notes may be less than the return you could earn on other investments. In addition, any return may not fully compensate you for any opportunity cost to you when you take into account inflation and other factors relating to the time value of money.

The index average is based on the index closing level on each observation date and may be less than the 11.00% appreciation of the initial index level, the final index level or the Index level at other times during the term of the Notes.

Since the index average is based on the index closing level on 22 observation dates, it is possible for the index average to be lower than an 11.00% appreciation of the initial index level even if the final index level is greater than an 11.00% appreciation of the initial index level. In addition, even if the index average is higher than the initial index level, it is possible for the index average to be lower than the 11.00% appreciation of the initial index level, the final index level or the Index level at other times during the term of the Notes. A high closing level on one or more observation dates may be substantially or entirely offset by a low closing level on one or more other observation dates. This difference could be particularly large if there is a significant increase in the Index level during the latter portion of the term of the Notes.

You will only participate in any positive Index performance to the extent the index percentage change exceeds the interest received percentage of 11.00%.

If the index percentage change exceeds the interest received percentage, the supplemental return you receive will equal the product of the principal amount of Notes and the index percentage change minus the interest received percentage. Under these circumstances, the supplemental return you receive at maturity may not fully reflect the performance of the Index.

Tax consequences.

For US federal income tax purposes, the Notes will be classified as contingent payment debt instruments. As a result, holders will be required to include OID in income during their ownership of the Notes without regard to the actual interest payments received. 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 US Holder would have recognized taxable income in periods prior to maturity that exceeds the US Holder's economic income from holding the Note during such periods (with an offsetting ordinary loss). Additionally, Noteholders 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. Noteholders should review the discussion under the section entitled "Certain US 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, should not be taken as an indication of the future performance of the Index. While the trading prices of the underlying common stocks of the Index will determine the value of the Index, it is impossible to predict whether the value of the Index will fall or rise. Trading prices of the underlying common stocks of the Index will be influenced by the complex and interrelated economic, financial, regulatory, geographical, judicial, political and other factors that can affect the capital markets generally and the equity trading markets on which the underlying common stocks are traded, and by various circumstances that can influence the values of the underlying common stocks in a specific market segment or of a particular underlying stock.

Your return on the Notes could be less than if you owned the common stocks included in the Index.

Your return on the Notes will not reflect the return you would realize if you actually owned the common stocks included in the Index. This is because the calculation agent will calculate the supplemental return by reference to the index percentage change and the interest received percentage, which is calculated by reference to the prices of the common stocks in the Index without taking into consideration the value of dividends paid on those stocks and by reference to the index average and not the final index level.

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 market 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 average is equal to or greater than the initial index level, changes in US 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 or the index average 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 what we expect to be the impact on the market value of the Notes with a change in a specific factor, assuming all other conditions remain constant.

Index performance. We expect that the value of the Notes prior to maturity will depend substantially on the amount, if any, by which the Index level or the index average at any given point in time exceeds the cumulative interest payments at that time expressed as a percentage of the principal amount of the Notes. If you decide to sell your Notes when the Index level or the average of the Index (based on the past observation dates) exceeds the cumulative interest payments at that time expressed as a percentage of the principal amount of the Notes, you may nonetheless receive substantially less than the amount that would be payable at maturity based on that Index level or the average of the Index (based on the past observation dates) because of expectations that the Index level will continue to fluctuate until the index average is determined. Economic, financial, regulatory, geographical, judicial, political and other developments that affect the common stocks in the Index may also affect the Index level or the index average and, thus, the value of the Notes.

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

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

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

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

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

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

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

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

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

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

Investing in the Notes will not make you a holder of any of the 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, which includes debt securities like the Notes. Under present New York law, the maximum rate of interest is 25% per annum, on a simple interest basis. This limit may not apply to debt securities in which \$2,500,000 or more has been invested.

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

The calculation agent is one of our affiliates, which could result in a conflict of interest.

Bear Stearns will act as the calculation agent. The calculation agent will make certain determinations and judgments in connection with calculating the index average, or deciding whether a market disruption event has occurred. You should refer to "Description of the Notes Discontinuance of the Index," " Adjustments to the Index" and " Market Disruption Events" in this pricing supplement. Because Bear Stearns is our affiliate, conflicts of interest may arise in connection with Bear Stearns performing its role as calculation agent. Rules and regulations regarding broker-dealers (such as Bear Stearns) require Bear Stearns to maintain policies and procedures regarding the handling and use of confidential proprietary information, and such policies and procedures will be in effect

throughout the term of the Notes. Bear Stearns is obligated to carry out its duties and functions as calculation agent in good faith, and using its reasonable judgment.

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

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

S&P is responsible for calculating and maintaining the Index. The policies of S&P concerning the calculation of the Index will affect the value of the Index and, therefore, will affect the trading value of the Notes and the cash settlement value. S&P announced that beginning March 18, 2005, it made certain changes to its methodology for calculating the Index. See "Description of Index Computation of Index after March 17, 2005."

If S&P 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 supplemental return you will receive at maturity. In addition, if S&P 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 stated maturity date by reference to a group of stocks and a computation methodology that the calculation agent determines in its sole discretion will as closely as reasonably possible replicate the Index. The value of the Index is only one of the factors that will affect this determination and the value of the Notes prior to maturity. See "Description of the Notes Discontinuance of the Index" and "Description of the Index."

S&P may change the companies underlying the Index in a way that adversely affects the Index level and consequently the value of the Notes.

S&P can add, delete or substitute the stocks underlying the Index or make other methodological changes that could adversely change the level of the Index and the value of the Notes. You should realize that the changes to 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.

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

We are not affiliated with any company included in the Index and are not responsible for any disclosure by any such company. However, we may currently, or in the future, engage in business with

such companies. Neither we nor any of our affiliates, including Bear Stearns, assumes any responsibility for the adequacy or accuracy of any publicly available information about the Index or any company included in the Index. You should make your own investigation into the Index and the companies underlying the Index.

We and our affiliates have no affiliation with S&P and are not responsible for its public disclosure of information.

We and our affiliates are not affiliated in any way with S&P (except for the licensing arrangements discussed in the section "Description of the Index License Agreement") and have no ability to control or predict its 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 of our affiliates assumes any responsibility for the adequacy or accuracy of the information about the Index or S&P contained in this pricing supplement. You, as an investor in the Notes, should make your own investigation into the Index and S&P. S&P is not involved in the offering of the Notes made hereby in any way and has no obligation to consider your interest as an owner of Notes in taking 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 market value of the Notes or the cash settlement value.

We and our affiliates may from time to time buy or sell shares of the stocks underlying the Index or derivative instruments related to those stocks for our own accounts in connection with our normal business practices or in connection with hedging our obligations under the Notes. These trading activities may present a conflict of interest between your interest in the Notes and the interests we and our affiliates may have in our proprietary accounts, in facilitating transactions, including block trades, for our other customers and in accounts under our management. The transactions could affect the prices of those stocks or the level of the Index in a manner that would be adverse to your investment in the Notes. See the section "Use of Proceeds and Hedging."

The original issue price of the Notes includes the agent's commission and the cost of hedging our obligations under the Notes. Such cost includes BSIL's expected cost of providing such hedge and the profit BSIL expects to realize in consideration for assuming the risks inherent in providing such hedge. As a result, assuming no change in market conditions or any other relevant factors, the price, if any, at which Bear Stearns will be willing to purchase Notes from you in secondary market transactions, if at all, will likely be lower than the original issue price. In addition, any such prices may differ from values determined by pricing models used by Bear Stearns as a result of such compensation or other transaction costs.

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

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

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

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

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

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

The cash settlement value you receive on the Notes may be delayed or reduced upon the occurrence of a market disruption event, or an event of default.

If the calculation agent determines that, on an observation 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 market 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 with respect to their assets. At November 30, 2004:

we had outstanding (on an unconsolidated basis) approximately \$44.4 billion of debt and other obligations, including approximately \$39.2 billion of unsecured senior debt and \$4.6 billion of unsecured inter-company debt; and

our subsidiaries had outstanding (after elimination of inter-company items) approximately \$207.2 billion of debt and other obligations (including \$58.6 billion related to securities sold under repurchase agreements, \$79.3 billion related to payables to customers, \$29.4 billion related to financial instruments sold, but not yet purchased, and \$39.9 billion of other liabilities, including \$21.0 billion of debt).

The aggregate principal amount of the Notes will be \$2,711,000. The Notes will mature on September 30, 2010. 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 \$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

The Notes bear interest from March 28, 2005, the original issuance date of the Notes, or from the most recent interest payment date on which we have paid or provided for interest on the Notes to September 28, 2010 at an annual interest rate of 2.00% paid semi-annually in arrears. We will pay interest in cash semi-annually on the 31st day of March and the 30th day of September until maturity, each of which we will refer to as an "interest payment date," to the person in whose name such Note was registered at the close of business on the fifteenth calendar day, whether or not a business day, prior to the applicable interest payment date. Each interest payment on an interest payment date will include interest accrued from, and including, the issue date or preceding interest payment date, as the case may be, to, but excluding, that interest payment date. The first interest payment date will be September 30, 2005. Interest on the Notes will be paid on the basis of a 360-day year comprised of twelve 30-day months.

In the event that an interest payment date is not a business day, we will pay interest on the next day that is a business day, with the same force and effect as if made on the interest payment date, and

without any additional interest or other payment with respect to the delay. A "business day" is a day other than a Saturday, a Sunday and on which banking institutions or trust companies in the City of New York are authorized or obligated by law to close.

Payment at Maturity

At maturity, we will pay you the cash settlement value, an amount in cash equal to the sum of (i) the principal amount of Notes, (ii) a final interest payment, and (iii) the supplemental return.

The "supplemental return" will equal the greater of (i) zero and (ii) the product of the principal amount of Notes and the index percentage change minus the interest received percentage of 11.00%.

The "index average" will be determined by the calculation agent and will equal the arithmetic average of the index closing level on each observation date.

The "index percentage change" equals the percentage change between 1,174.28, the initial index level and the index average.

The "observation dates" are the 28th day of each March, June, September and December during the term of the Notes, unless such a day is not an index business day, in which case the closing level of the Index will be taken on the next index business day, subject to postponement because of a market disruption event. The initial and final observation dates are June 28, 2005 and September 28, 2010, respectively. There will be a total of 22 observation dates.

The "index closing level" will be the closing value of the Index on each index business day.

The "initial index level" equals 1,174.28, the closing value of the Index on March 28, 2005, the date the Notes were priced for initial sale to the public.

The "interest received percentage" equals 11.00%, representing the sum of all the interest payments over the term of the Notes expressed as a percentage of the principal amount of the Notes.

The "final index level" will be determined by the calculation agent and will equal the closing value of the Index on September 28, 2010, 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 September 30, 2010.

An "index business day" will be a day, as determined by the calculation agent, on which the NYSE, the AMEX, the Nasdaq, the CME and the CBOE are open for trading (or would have been open for trading, but for the occurrence of a market disruption event) and the Index or any successor index is calculated and published. The calculation agent may, in its sole discretion, add to or delete from the definition of "index business day" any major US exchange or market which commences or ceases to serve as a primary exchange or market upon which a stock underlying the Index trades, or as an exchange upon which a futures contract, an option contract, or an option on a futures contract relating to the Index trades. 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 index average depends on the closing level of the Index on each observation date. Since the closing level of the Index may be subject to significant variations over the term of the Notes, it is not possible to present a chart or table illustrating a complete range of possible trends in the level of the Index. These hypothetical examples are based on hypothetical assumptions, such as the hypothetical

closing level of the Index on each observation date, which may not reflect the actual performance of the Index during the term of the Notes. Each of the examples is 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 1,174.28.

All returns are based on a 5.5-year (66 month) term; pre-tax basis.

The 2.00% fixed annual interest rate (\$20 per year per each \$1,000 principal amount of Notes, cumulative interest payments over the term of Notes of \$110) does not reflect any re-investment return on the semi-annual interest payments throughout the term of the Notes.

For purposes of these examples only, the final interest payment is not included in the cash settlement value calculation but is included in the total payments calculation.

No market disruption events occur during the term of the Notes.

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Example 1:

In this example, the Index appreciates over the term of the Notes. The index average of 2,026.68 is 72.59% higher than the initial index level of 1,174.28. While the final index level of 2,533.71 is 115.77% above the initial index level, the supplemental return will equal \$1,000 plus the greater of zero and the product of \$1,000 principal amount of Notes and the index percentage change minus the interest received percentage. An investor receives a total of \$1,725.90 over the term of the Notes, consisting of a cash settlement value of \$1,615.90 plus \$110.00 in interest payments during the term of the Notes.

$$= \$1,000 + \text{greater of [zero, } \$1,000 * (72.59\% - 11.00\%)]$$

$$= \$1,000 + \text{greater of [zero, } \$1,000 * 61.59\%]$$

$$= \$1,000 + \text{greater of [zero, } \$615.90]$$

$$= \$1,000 + \$615.90$$

$$= \$1,615.90$$

total
payments = \$1,615.90 + \$110.00

$$= \$1,725.90$$

Index Level on Each Observation Date

Observation Number	Index Level	Observation Number	Index Level	Observation Number	Index Level	Observation Number	Index Level
1	1,271.56	7	1,640.03	13	2,273.45	19	2,509.50
2	1,367.58	8	1,750.10	14	2,291.08	20	2,534.00
3	1,454.99	9	1,830.06	15	2,368.13	21	2,451.30
4	1,541.95	10	1,994.29	16	2,364.28	22	2,533.71
5	1,575.45	11	2,102.06	17	2,439.06	index average	2,026.68
6	1,629.18	12	2,217.51	18	2,447.71		

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Example 2:

In this example, the Index depreciates during the first half of the term of the Notes but then appreciates over the second half. The index average of 1,153.16 is 1.80% lower than the initial index level of 1,174.28 and the final index level of 1,384.94 is 17.94% above the initial index level. Since the index percentage change was less than the interest received percentage of 11.00%, an investor would not participate in the increase of the Index. An investor receives a total of \$1,110.00 over the term of the Notes, consisting of a cash settlement value of \$1,000.00 plus \$110.00 in interest payments during the term of the Notes.

$$= \$1,000 + \text{greater of [zero, } \$1,000 * (-1.80\% - 11.00\%)]$$

$$= \$1,000 + \text{greater of [zero, } \$1,000 * -12.80\%]$$

$$= \$1,000 + \text{greater of [zero, } -\$128.00]$$

$$= \$1,000 + \$0$$

$$= \$1,000$$

total
payments = \$1,000 + \$110.00

$$= \$1,110.00$$

Index Level on Each Observation Date

Observation Number	Index Level	Observation Number	Index Level	Observation Number	Index Level	Observation Number	Index Level
1	1,204.17	7	1,028.02	13	996.77	19	1,295.72
2	1,206.29	8	1,086.89	14	1,027.64	20	1,302.67
3	1,191.89	9	1,069.96	15	1,093.45	21	1,323.48
4	1,139.31	10	1,069.54	16	1,164.12	22	1,384.94
5	1,126.57	11	1,040.38	17	1,236.65	index	
6	1,072.58	12	1,003.72	18	1,304.79	average	1,153.16

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Example 3:

In this example, the Index depreciates over the term of the Notes. The index average of 981.06 is 16.45% lower than the initial index level of 1,174.28 and the final index level of 1,037.29 is 11.67% below the initial index level. Since the index percentage change was less than the interest received percentage of 11.00%, an investor would not participate in the increase of the Index. An investor receives a total of \$1,110.00 over the term of the Notes, consisting of a cash settlement value of \$1,000.00 plus \$110 in interest payments during the term of the Notes.

$$= \$1,000 + \text{greater of [zero, } \$1,000 * (-16.45\% - 11.00\%)]$$

$$= \$1,000 + \text{greater of [zero, } \$1,000 * -27.45\%]$$

$$= \$1,000 + \text{greater of [zero, } -\$274.50]$$

$$= \$1,000 + \$0$$

$$= \$1,000$$

total
payments = \$1,000 + \$110.00

$$= 1,110.00$$

Index Level on Each Observation Date

Observation Number	Index Level	Observation Number	Index Level	Observation Number	Index Level	Observation Number	Index Level
1	1,194.45	7	940.32	13	829.28	19	991.47
2	1,195.87	8	903.99	14	846.61	20	995.06
3	1,186.24	9	894.49	15	883.19	21	1,005.78
4	1,126.69	10	894.25	16	921.70	22	1,037.29
5	1,065.03	11	877.80	17	960.44	index	
6	1,004.10	12	833.17	18	996.14	average	981.06

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Summary of Examples 1 Through 3

	Example 1	Example 2	Example 3
Initial index level	1,174.28	1,174.28	1,174.28
Index average	2,026.68	1,153.16	981.06
Index percentage change	72.59%	-1.80%	-16.45%
Interest received percentage	11.00%	11.00%	11.00%
Final index level	2,533.71	1,384.94	1,037.29
Return of principal	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00
Supplemental return	\$ 615.90	\$ 0.00	\$ 0.00
Cash settlement value	\$ 1,625.90	\$ 1,010.00	\$ 1,010.00
Cumulative interest payments over the term of the Notes	\$ 110.00	\$ 110.00	\$ 110.00
Total payments over the term of the Notes	\$ 1,725.90	\$ 1,110.00	\$ 1,110.00
Annual percentage yield (APY)(1)	10.78%	2.00%	2.00%
Interest rate (IR)(2)	13.20%	2.00%	2.00%

(1) APY is the effective or true annual rate of return, taking into account the effect of compounding.

(2) IR is the interest rate without taking into account the effect of compounding.

Discontinuance of the Index

If S&P discontinues publication of the Index and S&P 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 NYSE, the AMEX, the Nasdaq or 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 S&P 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 US 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, in case 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 US 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